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UK groups take their medicine
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Car market
US sales stuck in slow lane
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New light on old masters
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Defence industries
Energy efficiency
Separate sections

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Rivalry between France and US grows over Bosnia

Western governments will today start fine-tuning their plans to impose peace in Bosnia amid growing signs of Franco-US rivalry over who should take credit for the agreement. France has insisted that a forthcoming treaty to end nearly four years of war in Bosnia would be known as the Elysée treaty, after the French presidential palace, and not the Dayton accord, after the Ohio city where the deal was negotiated. Page 18; Doubts grow over Slavonia deal, Page 2

EU agrees sports boycott of Nigeria

European Union foreign ministers have agreed to impose a sports boycott on Nigeria, by denying visas to official delegations and Nigerian national teams, as punishment for executing nine community workers, including Ken Saro-Wiwa (left) last month. Ministers also agreed to withdraw military attachés from Nigeria and to expel Nigerian military officials from Europe. The move comes in addition to an arms embargo and aid freeze.

Cautious hope for Russian recovery: Economic prospects for eastern Europe look bright next year and there are grounds for cautious optimism that the six-year slump in Russian output may be coming to an end, according to the United Nations Economic Commission for Europe. Page 5

Weak demand for Pechiney sell-off: The French government launched the privatisation of Pechiney, but was forced to scale down the issue because of weak demand and investors' concerns about the size of a planned capital increase for the aluminium and packaging group. Page 19; Lex, Page 18

Brussels urges 'whistle-blowing': Draft proposals aimed at encouraging companies to "blow the whistle" on each other's illegal activities are shortly to be unveiled by the European Commission as part of its efforts to clamp down on price-fixing cartels. Page 2

ICL to open N American plant: The manufacturing unit of ICL, the UK-based computer company owned by Fujitsu of Japan, intends to open a north American factory in the next 18 months. Page 11

Russian bank body joins sell-offs dispute: A senior representative of the Association of Russian Banks joined the growing controversy about the country's privatisation programme. Page 3

Fish stocks treaty delay: The first global treaty designed to protect fish stocks on the high seas, agreed four months ago, is already running into difficulty, conservationists warned. Page 6

Warning on West Bank jobs: A severe shortage of wage-earning jobs in Gaza and the West Bank is putting the Middle East peace process under tremendous pressure, the International Labour Organisation has warned.

BP acetic acid plant for Chongqing: British Petroleum signed a $240m joint venture agreement to build an acetic acid plant in the south-western Chinese city of Chongqing. Page 5

Manila and Bangkok vie for GM plant: The Philippines and Thailand are vying to secure a $1bn investment from General Motors which is seeking to establish a south-east Asian production facility. Page 18

BA and KLM deny partnership reports: Shares in British Airways and KLM rose after a press report saying the two were involved in partnership talks – despite a firm denial of the story by the Dutch carrier. Page 21

CCF future in doubt: Crédit Foncier de France, the specialist banking group, withdrew its proposal to merge with an associated company, in an important and unusual victory for the country's minority shareholders. Page 22

Hostage children freed: French police commandos overpowered a gunman who took a class of 30 children and their teacher hostage at a Paris primary school.

England draw second test: Captain Mike Atherton led England to a remarkable draw in the second cricket test against South Africa in Johannesburg with an unbeaten 185 in 10 hours and 44 minutes. England, needing 479 to win, reached 351 for five at the close. The first game of the five-match series was also drawn.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,101.95	(+14.82)
NASDAQ Composite	1,068.89	(+13.58)
Europe and Far East		
CAC40	1,774.86	(-46.05)
DAX	2,252.16	(-8.5)
FT-SE 100	3,659.7	(-10.7)
Nikkei	18,897.37	(+64.27)

US LUNCHTIME RATES

Federal Funds	5¾%
3-mth Treas Bills: Yld	5.437%
Long Bond	111⅛
Yield	6.014%

OTHER RATES

UK: 3-mo Interbank	6⅞%	(same)
UK: 10 yr Gilt	106⅞	(106⅞)
France: 10 yr OAT	105.32	(105.74)
Germany: 10 yr Bund	102.95	(102.78)
Japan: 10 yr JGB	113.843	(113.733)

NORTH SEA OIL (Argus)

Brent 15-day (Jan)	$17.38	(17.14)

GOLD

New York: Comex		
(Feb)	$387.3	(387.4)
London:		
close	$386.3	(386.55)

DOLLAR

New York: lunchtime		
£	1.5335	
DM	1.43845	
FFr	5.00805	
SFr	1.1695	
Y	101.105	
London:		
£	1.5334	(1.5308)
DM	1.4381	(1.4451)
FFr	5.0062	(4.995)
SFr	1.1677	(1.1748)
Y	101.035	(101.33)

STERLING

DM	2.2051	(2.212)
Tokyo close:	Y 101.2	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw110.00	Iceland	IKr220	Nigeria	Naira80	Slovak Rp	Sk60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	Kc55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 4.20	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500
France	FFr11.00	Lebanon	US$1.50			Turkey	L80,000
Germany	DM3.60	Lux	LFr70			UAE	Dh12.00

French battle over reform may deepen ■ Franc falls on unsettled markets

Juppé hardens stance on strikes

By David Buchan in Paris

Mr Alain Juppé, the French prime minister, last night convened an emergency cabinet meeting to reinforce government solidarity against mass protests at his welfare and public sector reforms.

The battle over reform may reach a peak today, as workers across almost all the public sector are planning to strike, and hold a protest march in Paris, while the government will face an opposition censure motion in parliament.

The hardening confrontation between the government and the unions unsettled French financial markets yesterday. The CAC-40 share index in Paris fell 2.53 per cent, while the franc ended the day at FFr3.48 against the D-Mark, after opening at FFr3.50.

The franc has lost five centimes against the D-mark in the past week, but the Bank of France has so far declined to raise its intervention rates for fear of choking what growth remains in an economy increasingly hit by the strikes.

In advance of today's general strike call, led by the pro-communist CGT union federation, unrest yesterday spread further in the public sector, with France Télécom reporting 15,000 of its workforce on strike. Some truck drivers reinforced the impact of the 11-day rail strike by blocking roads, but few other private sector employees responded to union appeals to join the protests.

Mr Juppé, who has been publicly silent for the past week on the strikes, will today defend himself in the National Assembly against the opposition Socialists' motion censuring the government for "compromising national solidarity" with its social security reform plans. However, the government has a very safe majority in parliament.

Last night's cabinet meeting was called by Mr Juppé to stress to all his 32 ministers that he has no intention of backing down on the welfare reforms announced on November 15 and backed by President Jacques Chirac.

After the meeting, Mr Alain Lamassoure, the government spokesman, said there was "no reason for any strikes" because the government remained "totally open to dialogue" with unions on the detailed implementation of the reforms.

Officials dismissed as "absurd" rumours that Mr Chirac might call fresh parliamentary elections or a referendum as a way out of the impasse. In last Sunday's first round vote in seven by-elections, Socialists made gains which could result in their taking at least two seats off the ruling conservatives in next Sunday's final vote.

The CGT and Force Ouvrière, the two rival federations spearheading the strike movement, are hoping that the snowballing strikes will force Mr Juppé to withdraw his plan and negotiate an alternative. "The Juppé plan must be withdrawn; after that we will negotiate", said Mr Louis Viannet, the CGT president.

A senior Juppé aide predicted yesterday that the strikes would peak "in a paroxysm of protest" today, but would then blow themselves out, although "they could continue into next week". The prime minister was banking on the traditional animosity between the CGT and FO to assert itself, and on apathy, if not hostility, by the private sector towards the strikes, the aide said.

The Bank of France's reluctance to rush any interest rate rises also seems to indicate it shares Mr Juppé's analysis.

Yesterday saw little immediate improvement in traffic conditions around Paris, despite the government's move to hire up to 1,700 private buses to get 100,000 commuters in and out of the capital.

Industry and commerce, meanwhile, is counting the cost of the strikes. The retail sector in Paris has been hit severely, and Mr Jean Tiberi, the mayor of Paris, may allow shops to stay open on Sundays throughout December to help offset the downturn.

Passengers make their way on foot to Marignane airport in Marseille after the road was blocked by lorries as French unions continued to protest over the government's welfare reform plans Picture: Reuter

Strikes put recovery in doubt, Page 2; Editorial comment, Page 17; Currencies, Page 29; World stocks, Page 38

GM reunites top jobs after three-year split

Jack Smith becomes chairman as well as chief executive of GM

By Richard Waters in New York

General Motors yesterday reunited the roles of chairman and chief executive after an unusual three-year split, signalling the US car and truck maker's return to financial health after a crisis in the early 1990s.

The company named Mr Jack Smith, who was already chief executive and president, as chairman from January 1. He will replace Mr John Smale, the former chairman of Procter & Gamble who led a revolt of GM's outside, or non-executive, directors in 1992.

Under urging from Mr Smale, GM's board forced the resignation of then-chairman and chief executive Mr Robert Stempel, and divided his job. The US's biggest manufacturer was struggling at the time to overhaul its operations after a $5bn loss the year before.

General Motors has been one of only a handful of big US companies to divide power in its boardroom. Typically, US companies only separate the roles of chairman and chief executive as part of a succession process, or when the politics of a merger prompt a degree of job-sharing at the top.

Mr Smale maintained at the time that the decision to split the role was based on GM's particular circumstances, and did not signal a belief that a chief executive's power should be balanced by a non-executive chairman.

However, GM's boardroom move became the rallying point for the US corporate governance movement, which has urged more checks to the power of chief executives in the country's boardrooms.

The ousting of Mr Stempel preceded moves by non-executive directors at other struggling US companies, including Eastman Kodak, Westinghouse Electric and American Express. In each of these cases, though, the roles of chief executive and chairman were not split, and outsiders were brought in to steer the turnaround.

Mr Smith's elevation to the chairman's job follows a rebound in earnings in GM's core North American operations, which had accounted for its earlier losses. Despite a sometimes bumpy ride, the North American business returned to profit last year, helped by cost-cutting and a healthy economic backdrop.

Under boardroom procedures adopted at the depth of its financial crisis, GM's non-executive directors will retain an influential position. These provide for a so-called "lead director" to coordinate and head the non-executives' activities. Mr Smale, 68, will chair a new executive committee, a position he held before becoming chairman.

The company also named Mr Harry Pearce, an executive vice-president, as a director. Mr Pearce, a lawyer, oversees GM's non-automaking businesses.

Contest for GM plant, Page 18
Carmakers puzzled, Page 19

Steady EU reforms urged ahead of eastern expansion

By Lionel Barber in Brussels

The European Union should take slow and steady steps in reforming its institutions to pave the way for enlargement, a report by EU officials will recommand today.

The publication of the report, intended to prepare for next year's inter-governmental conference, comes on the eve of a Franco-German summit which is expected to produce a joint, if sketchy, position on institutional reform.

Britain is highlighted in the report on several important issues. It notes British opposition to an increase in issues to be decided by majority voting, UK reservations about expanding the European Parliament's powers of co-decision on EU legislation, and British blocks on union-wide social policy.

The group – chaired by Mr Carlos Westendorp, the senior Spanish diplomat, comprises experts from the 15 member states, European Commission and European Parliament. Its report will be discussed at the EU summit in Madrid on December 15-16.

The impact of the Westendorp report is likely to be diminished by the fact that all member states are holding back ahead of the actual negotiations which will begin after the launch of the inter-governmental conference at Turin in late March.

Mr Westendorp makes clear in his introduction that the IGC is unlikely to turn into a "big bang" conference introducing radical institutional reform.

"We consider the conference should focus on necessary changes, without embarking on a complete revision of the [Maastricht] treaty," says the draft.

The report argues that the IGC is "just one step" in the process of enlargement to eastern Europe. The other unnamed steps are reform of the Common Agricultural Policy, regional aid and a new regional budget deal.

Mr Westendorp says in a covering note that the IGC should focus on making Europe "more relevant" to its citizens; making the EU work more effectively ahead of eastern enlargement; and giving the Union greater capacity for external action.

Though individual countries are not identified, Britain's views are well known and Mr Westendorp makes little effort to hide its isolation on certain issues.

On majority voting – perhaps the most contentious issue of all – the report says: "Many of us believe greater efficiency would be enhanced by more qualified majority voting in the council [of ministers] which, according to many, should be the general procedure in the enlarged community.

"Some of us believe that this should only be countenanced if democratic legitimacy is improved by a reweighting of votes to take due account of population. One of us opposes extension on principle."

CONTENTS

Dutchman to succeed Timmer as chairman of Philips

By Ronald van de Krol in Amsterdam

Mr Jan Timmer, the management board chairman of Philips and architect of the Dutch electronics group's turnaround, ended months of speculation yesterday by announcing he will retire on October 1 1996.

His successor will be Mr Cor Boonstra, a fellow Dutchman and member of the Philips management board. Mr Boonstra, who was president and chief operating officer of Sara Lee, the US consumer products group, until January 1994, joined Philips in mid-1994.

His appointment, while not unexpected, confounds expectations that Philips might appoint the first foreigner in its 104-year history to the top job. That would have capped the changes at Philips since it embarked on a revitalisation programme under Mr Timmer in 1990.

Speculation about the date and identity of Mr Timmer's successor intensified after the Philips president turned 62 in February, an age when most top Dutch executives retire.

Other frequently-cited candidates for the job were a trio of executive vice-presidents who all serve on the management board – Mr Dudley Eustace, finance director and a Scotsman; Mr Frank Carrubba, an American who looks after technology; and Mr Pierre Everaert, a Belgian-born US citizen who came to Philips from Ahold, the Dutch supermarket group. The only Dutch member of the six-member management board, besides Mr Timmer and Mr Boonstra, is Mr Henk Bodt, head of consumer electronics.

The influx of foreign-born senior executives is one of the hallmarks of Mr Timmer's tenure, which began in July 1990 after Philips slid into losses.

Mr Boonstra, 57, who worked for Sara Lee in Europe and the US for 20 years before moving to Philips, fits the same tough-minded mould as Mr Timmer, a career Philips man who shook the paternalistic company out of its lethargy. His growing chances to succeed Mr Timmer

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 No 32,850 Week No 49 LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO

Strikes put France's recovery in doubt

A protracted dispute could deal a damaging blow to hopes of reversing a sharp slowdown, writes **John Ridding** in Paris

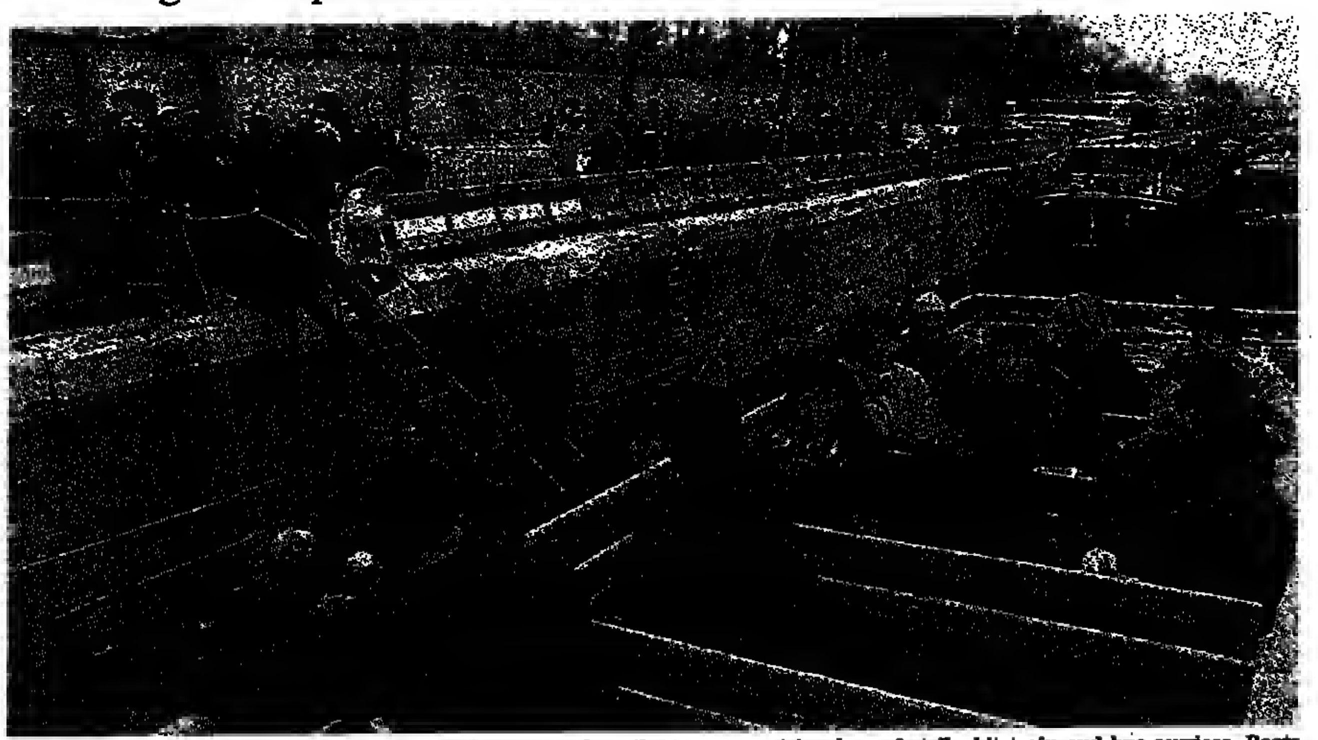
France'a escalating strikes could scarcaly have come at a worse time for the country's flagging economy and its struggling businesses. "You cannot taka risks with an economy in convalescence," says Mr Franck Borotra, the industry minister. "The consequences for weakened husinesses could be catastrophic."

There is rhetoric in the minister's warning, reflecting the government's attempt to turn opinion against the public sector protests. But for certain sectors the threat is already real enough, while a protracted upheaval and anxiety in financial markets could deal a damaging blow to hopes of reversing a sharp slowdown in economic growth.

Those companiea most exposed are in Paris and the surrounding Ile de France region where disruption has been greatest, and in industries most dependent on rail and public transport for their shipments, supplies or custom.

The retail sector in the capital has been hit severely. "There are more of us than there are of them," says a cashier at Galeries Lafayette, the department store, referring to the scarcity of shoppers.On average, shopping centres are reporting falls in daily sales of up to 40 per cent compared with the days prior to the strike, a particular blow in the vital pre-Christmas period.

Mr Jean Tiberi, the mayor of Paris, may allow shops to stay open on Sundays throughout December to help offset the downturn. "That may help," says one manageress. "But the problem is that people just cannot get here." An emergency plan to charter almost 2,000 private huses to run between the suburbs and the city centre will ease the struggle for many



Parisian commuters board a Seine pleasure boat chartered by the government in place of strike-hit train and bus services. Boats dropped off passengers at 12 stops along the river in the city centre *Reuter*

trying to get to work, but will only partly offset the paralysis of public transport.

Industry has seen several victims. The car manufacturer Peugeot Citroën sent home two-thirds of the 11,000 workers at its Mulhouse assembly plant last Friday after running out of space to store finished cars. Staff returned yesterday, after stocks had been eased by the stoppage and the use of road transport. But the Force Ouvrière union yesterday called for a national truckers strike. In the agricultural industry, Soufflet, Europe's biggest flour maker, has been forced to close its mills for export production because of accumulating stocks.

Some companies face the prospect of strikes spreading to their shopfloors. In addition to those state monopolies at the centre of the dispute, such as SNCF, the rail operator which is losing an estimated FFr100m ($20m) per day, public sector companies such as Renault and Air France are being targeted by unions in their attempts to broaden the strike.

Mr Louis Viannet, head of the communist-led CGT, says the union has also stepped up efforts to extend strikes to private companies and claims success in persuading workers at an Atochem chemicals factory in western France to take action.

While specific strike victims are easy to find, it is harder to estimate the overall impact on the economy. Insee, the national statistics institute, says it is too early to tell, but notes that a three-week rail strike in the winter of 1986-1987 rednced growth in the January-March period by 0.2 percentage points.

"If the npheaval is of similar duration, then there should be a very limited impact and lost production should be regained," says a senior economist at one French bank. "However, a longer strike would bring lasting damage, and there are extra areas of concern this time around." Such concerns arise because the strikes are hitting the economy when it is already down.

Figures released last week showed that gross domestic product grew hy just 0.2 per cent in both the second and third quarters, compared with 0.7 per cent in the preceding period. In addition, the industrial unrest threatens to exacerbate two underlying problems – weak oonsumption and high real interest rates.

Even without the physical prohlems of getting supplies, staff and clients to shops, weak consumption has emerged as a serious handicap for tha French economy. Consumption fell by 4.4 per cant in October as households responded to the prospect of higher taxes to cut tha welfare deficit, rising unemployment and a sense of political malaise which can only be heightened by the industrial unrest.

More serious, anxiety is also rising in financial markets. The sangfroid which greeted the outbreak of the strikes and Mr Alain Juppé'a tough line has been replaced by jitters. The French franc has fallen by five centimes against the D-Mark since the middle of last week, trading yesterday at FFr3.48. As a result, the Bank of France is having to apply the brakes to its policy of monetary easing, further threatening a business revival.

Faced with a stagnating economy and the prospect that its deficit-cutting drive could prove self-defeating, it is little wonder that the government is sounding the alarm bells.

Editorial comment, Page 17

International resolve seen to weaken as UN peace force scaled down

Doubts grow over Slavonia deal

By Laura Silber in Zagreb

Internatiooal resolve to enforce the peace agreement in the Serb-occupied part of Croatia appears to be crumbling, endangering the settlement in neighbouring Bosnia.

Under an agreement reached in Dayton last month between President Slobodan Milosevic of Serbia and his Croatian counterpart, Mr Franjo Tudjman, eastern Slavonia will be peacefully integrated into Croatia within two years.

Mr Boutros Boutros Ghali, secretary-general of the United Nations, hoped to secure backing for a 9,000-strong international force to police the peace in Croatia's most easterly region. The force was due to be deployed under chapter seven of the UN charter, whicb allows tough enforcement measures to ensure compliance by the parties.

However, senior UN officials say that at a Security Council meeting this week Mr Boutros Ghali is expected only to find support for a 4,000-strong force, operating under the far weaker provisions of chapter six, which are used to sanction general peacekeeping.

As the agreement was being signed, officials indicated to rebel Serbs that American troops would be part of an international force in eastern Slavonia. This was key to Serb acceptance of the deal as they believed that the Croatian army would not launch an incursion with US troops deployed in the area. Twice in the last six months, Zagreb has sent its army across UN-administered front lines capturing Serh-held territory that was protected under a UN mandate.

UN and US officials now say privately they donbt that Washington will supply troops for eastern Slavonia, given that it is committed to participating in peacekeeping in Bosnia and that it would be difficult to persuade the US Congress to endorse further involvement.

UN officials say failure to enforce the accord could jeopardise an overall peace settlement in Bosnia. Mr Thorvald Stoltenberg, the UN negotiator who mediated the eastern Slavonia deal, warned that the fate of the region was "inextricably linked to the prospects for peace in former Yugoslavia. There could be no durable peace in Bosnia, without a political resolution of the problem of eastern Slavonia".

Aware of the urgency of this week's debate in the Security Council, in his acceptance speech for a peace prize in Rome recently, Mr Stoltenberg urged "the international community to commit generously to the peace process in eastern Slavonia".

Given Bosnian Serb fears that the Dayton agreement fails to offer any protection in the Serb suburbs of Sarajevo, failure to protect their kin in eastern Croatia could upset the entire peace deal. It would put additional pressure on Mr Milosevic at a time when he needs to bring recalcitrant Bosnian Serh leaders to heel while also demonstrating that he has Serb interests at heart.

The United Nations has condemned "in tbe strongest possible terms" the burning and looting of houses by Bosnian Croat forces, who are dne to give up territory in western Bosnia under the terms of a peace agreement agreed last month at Dayton, Ohio, writes Laura Silber in Zagreh. UN officials privately believe the Bosnian Croat Army (HVO) could undermine the peace deal if they continne to pursne a scorched earth policy in areas they are expected to band over to the Serbs. Already, the UN has observed similar activities in the Serb area of eastern Bosnia, known as the Sapna Thumb, which the Serbs are expected to trade with the Moslem-Croat Federation.

A week ago, UN observers in Mrkonjic Grad and Sipovo, towns in western Bosnia, reported that the HVO had burned down 30 per cent of the bouses and were removing factory equipment in trucks from the area.

Brussels urges companies to 'blow whistle'

By Emma Tucker in Brussels

Draft proposals aimed at encouraging companies to "blow the whistle" on each other's illegal activities are shortly to be unveiled by the European Commission as part of its efforts to clamp down on price-fixing cartels

Mr Karel Van Miert, the competition commissioner, believes the plans will improve Brussels' detection rate of illegal price-fixing cartels at a time when methods of collusion are becoming increasingly sophisticated and industry is finding more devious ways of covering its tracks.

The proposals foresee a waiving of fines for companies that first inform the Commission abont a cartel, while companies whicb co-operate once an investigation is under way will face greatly reduced fines.

Mr Van Miert will present draft proposals to fellow Commissioners tomorrow, ahead of a wide-ranging consultation with industry and member states. He hopes to be able to present definitive proposals before next summer.

The controversial proposals have upset industry representatives who argue that they are not criminals and should not be encouraged to behave as such.

However, the Commission insists that similar practices have worked very successfully in the US, increasing the number of prosecutions in antitrust cases.

"This is a pragmatic aolution to a hig problem," said an EU diplomat.

"The Commission has only limited resources, especially in the competition sphere, and can't spend all the time it would want to on detecting cartels."

The proposals follow exposure of a number of high-profile cartels in which whole industries have faced punitive fines.

The most celebrated include carton board prodncers, and the cement industry, where companies have been fined up to Ecu32.5m (£27.5m). In practice, Brussels already applies a system of imposing lower fines on companies that have co-operated with investigations.

"The proposals make explicit what has been implicit in big cartel cases," said the diplomat.

By launching the whistle-blowing proposals the Commission hopes to overcome the difficulty of obtaining reliable evidence. With computerisation, companies have found it easier to cover their tracks, and documentary evidence of collusive behaviour is becoming increasingly difficult to pin down.

In cases such as the carton board cartel, Commisaion investigators actually uncovered notes with details of meetings and fake "minutes" of meetings.

Bnt, in the light of such cases, industry has become more careful. According to the Commission they are so wary of the threat of investigation that they carry out mock "raids" to ensure their activities cannot be detected.

Brussels says the new proposals will also resolve manpower problems. "Investigations involve enormous energy and human resources and are very expensive," said an official. "If a cartel has 40 undertakings in 12 different countries we have to provide a lot of officials."

Belgian biscuit company penalised

By Andrew Jack in Paris

A French court yesterday provided a formal definition of "home-made hiscuits" and heavily penalised a Belgian company for misusing it in its advertising.

Delacre, which is based in Brussels but is ultimately owned by Campbell Soup of the US, was ordered hy a Paris judge to pay more than FFr1m ($200,000) "directly by the producer to the consumer".

Its verdict came after Belin, a rival French biscuit manufacturer, began a legal action in 1994 in which it claimed that sales of its own hrands had suffered following Delacre's launch of its products.

Belin sought FFr10m in damages and interest after observing a "very significant" drop in sales for its "Boogy classique" and "Boogy Moelleux" range. It complained that the word "maison" could not he used to apply to Delacre's "industrial" biscuits.

Delacre replied in court that a consumer of average intelligence would not even for a moment have imagined that biscuits sold by large retailers would have been produced by artisans.

However, Judge Catherine Courcol of the 31st chamber of the correctional court of Paris ruled against Delacre, ordering the company to pay Belin FFr1m in damages, plus FFr100,000 to the French federation of bakers, and levying a further FFr80,000 fine on Mr Joel Oberman, a vice president and marketing director. She also said the company mnst announce the judgment in two newspapers.

She said that Delacre's hiscuits were sold in large retail stores, cooked in factories and made from "typically industrial" ingredients such as citric acid, palm oil and bicarbonate of soda.

Belin itself is no small supplier. It is ultimately owned hy Danone, the large French food group, which expressed its satisfaction with the judgment last night.

"We consider this a victory for the consumer," it said.

"There is a temptation for all professions to go to the limit. There are things that you have a right to say and things you do not. There are relatively strict principles of advertising. This was confusing for the consumer."

Campbell Soup said: "We are surprised by the deciaion because we felt and continue to feel the use of this trademark is fully justified."

ft said it was appealing against the judgment.

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R J

Vacancy for a prime minister. No experience necessary. **Hugh Carnegy** reports

Swedes await name of mystery leader

The confusion which has swirled around who will be Sweden's next prime minister deepened last night with conflicting reports about who will succeed Mr Ingvar Carlsson when he steps down from the post next March.

Swedish television said that Mr Göran Persson, the finance minister, was about to reverse his previous categoric refusal to take over as leader of Mr Carlsson's Social Democratic party. However, a spokeswoman for Mr Persson flatly denied that he had changed his mind.

Ahead of the Friday deadline imposed by the party for resolving the succession, most of his colleagues in the leadership ware anxious that he should accept in order to begin the process of healing the party'a deep divisions over the two most important policy issues it confronts.

These are the future of the welfare state and Sweden's membership of the European Union. The split has caused support to leak heavily to the Left and Environment parties.

A dignified early retirement for Mr Carlsson, three years before the next election, and a smooth, uncontested transition was supposed to provide the way out of the party's difficulties. But all that went badly wrong.

The deputy party leader and likely successor, Ms Mona Sahlin, 38, was forced by a scandal over her private use of government credit cards to resign from the government.

The most anthoritative alternative as party leader had appeared to be Mr Persson, hut for weeks he categorically ruled himself out, in large part to preserve his private life.

Huge pressure was also put on Mr Jan Nygren, the low-profile but respected co-ordination minister. But he, too, has resisted strongly for personal reasons. A single father, he has promised his 14-year old son he will not take the joh.

Their adamant resistance thrust forward Ms Ingela Thalen, the aocial affairs minister, as the most credihle candidate who had not said No. She is backed by the powerful SDP women's organisation – hut lacks top-level experience.

Tha succession issue has tended to obscure, hut not damp, the fierce debate within the party about bow to reshape Sweden'a famously large welfare state in the wake of the recent crisis in the public finances - and over the role Sweden should play in the EU.

Tbe ascension of Ms Sahlin was meant to provide a clear way forward. She was identified with the "renewers" – or party modernisers – in the party. They argue for a slimmer, more efficient welfare system and for a greater degree of "citizen responsibility" to take some of the burden of public services off the state's shoulders.

Mr Persson and the other potential successors so far canvassed lie in or close to the renewers' camp – but have a much less potent puhlic image for selling the agenda. As finance minister, Severe puhlic spending cuts have made Mr Persson unpopular with the left of the party.

The outcome of these policy tussles is critical for Sweden as much as it is for the Social Democratic party which remains comfortably the largest party.

The renewers accept that the state's role in the economy became too large. It reached 70 per cent of GDP in the early 1990s, easily the highest in the industrialised world. The traditionalist camp tends to overlap with the strong anti-EU feeling in the party.

This debate will intensify throughout the winter and culminate in a special party congress in March. Called to settle the policy agenda, the congress will now also be the occasion for the formal election of the new leader. It will provide a bracing start for whoever that person turns out to be.

EUROPEAN NEWS DIGEST

Greek PM said to be stable

Mr Andreas Papandreou, the Greek prime minister, regained consciousness yesterday for the first time in a week but doctors said efforts to remove him from a respirator were not yet successful.

"The premier's condition is stable and he is in contact with his surroundings," said Mr Panaghiotis Poulis, head of the Onassis hospital where the prime minister is being treated.

Mr Poulis was forced to read the statement after none of the 15 doctors caring for Mr Papandreou, 76, wanted to brief reporters. The team includes the health minister, Mr Dimitris Kremastinos. Dr Grigoris Skalkeas, who resigned as spokesman for the team on Sunday, said in a written statement that he quit because "the objectiveness of the briefing was placed in doubt".

The hospital said reporters would soon be barred from the building, that medical statements would be made in a tent outside the facility and any questions would have to be submitted in writing. *AP, Athens*

Chechnya car-bomb kills 11

A car-bomb exploded yesterday in the centre of Grozny, capital of Chechnya, killing at least 11 people and further destabilising the region ahead of the Russian elections later this month. The explosion, outside the regional administration building, was the latest in a series of violent attacks in the Caucasian republic. Russian officials were quick to blame Chechen rebels for trying to undermine the poll scheduled to elect a new regional leader on December 17.

The renewed escalation of violence comes as Russian and Chechen officials appear to be making some progress in negotiating a political settlement.

On Sunday, Mr Oleg Lobov, the presidential representative in Chechnya, said Russia was close to approving a constitutional amendment which would cede considerable autonomy to Chechnya. But some Chechen separatists have condemned attempts to seek a negotiated peace and continue to press for full independence. *John Thornhill, Moscow*

Turkish MPs fail to halt poll

A group of Turkish MPs yesterday failed in an attempt to postpone general elections scheduled for December 24 after they were unable to muster a quorum in a special session of parliament reconvened to consider the issue.

More than 100 MPs from several parties last week signed a petition that required parliament to reconvene, but failed to attain the quorum of one third of the 450-member parliament. The MPs are angry that their parties either refused to put their names up for re-election or relegated them to marginal constituencies.

Most of the dissatisfied MPs are drawn from the conservative True Path party of Mrs Tansu Çiller. She purged almost half the party'a 165 MPs by removing long-serving politicians from the list of candidates, replacing them with technocrats, business leaders and top security service officials. Elections were not due until November 1996 but Mrs Çiller called snap elections following the collapse of her coalition government in the previous months.

This was the second abortive attempt to postpone the elections. *John Barham, Ankara*

Italians postpone some strikes

Transport unions suspended some of the strikes which threatened travel chaos in Italy today, following meetings with Mr Giovanni Caravale, the country's transport minister.

Unions representing pilots, flight attendants and ground crew, public transport workers, train drivers, firefighters and air traffic controllers had announced separate plans for strike action.

Yesterday the pilots, flight attendants and railway drivers suspended the action after Mr Caravale said he was ready to discuss new rules on strikes and minimum services. But discussions were continuing with other categories of transport worker, amid general fears that unions were preparing for general disruption of pre-Christmas travel.

Today's planned strikes were not co-ordinated by the unions and the reasons for the threatened action varied from protests at pensions reform, to the air traffic controllers' dispute over contract renewal and the restructuring of the air traffic control authority. *Andrew Hill, Milan*

European airline delays grow

European airline traffic is growing strongly but passengers are being hampered by a record number of flight delays, the Association of European Airlines said yesterday.

The association said passenger numbers grew 9.1 per cent in October, with strong increases in traffic across the north Atlantic and between Europe and the Far East. Traffic across the north Atlantic was up 11.6 per cent, whila tha increase to the Far East was 10.2 per cent. Overall seat capacity grew 7.2 per cent in October. Load factor, or seat occupancy, grew 1.3 percentage points to 73.1 per cent. The load factor on flights across the Atlantic was 79 per cent.

The association said, however, that in the third quarter of this year delays of more than 15 minutes increased to 20.4 per cent of departures from 17 per cent in 1994. In September, 25 per cent of departures were delayed for more than 15 minutes, which was the highest level ever. It said that provisional data for October indicated that the level of delays was nearly the same as in September. *Michael Skapinker, London*

Latvian leader indexes low pay

Latvia's prime minister-designate Mr Ziedonis Chevers, who is striving to form a new government two months after elections, promised yesterday to index minimum wages, pensions and other state allowances to inflation.

Mr Chevers also pledged to halt the rise in the budget deficit without giving details how this would be done. Ha backed an independent central bank, but said it should work closely with the cabinet.

His statement also said he would aim to pursue membership of the European Union but wanted to normalise relations with Russia which have been tense in the past. President Guntis Ulmanis last week asked Mr Chevers, leader of the Democratic party, to form a government after his first-choice, Mr Maris Grinblats, was rejected by parliament. Mr Chevers's coalition has the support of 51 deputies, giving him the narrowest of majorities in the 100-seat parliament. *Reuter, Riga*

Fininvest denies soccer bid

Mr Silvio Berlusconi's Fininvest business empire has denied it is holding talks with the German football association to buy the rights to broadcast German league football matches on pay-per-view television.

Earlier, the German football association had said Mr Berlusconi, former Italian prime minister, wanted to buy the righte. Mr Wilfried Straub, financial director for the German football association, said: "I do not know whether this offer is serious or not, we have asked for more details." He said an offer made by Compagnie Luxembourgeoise de Télédiffusion had been more precise than that made hy Fininvest. Earlier, the daily Süddeutsche Zeitung had said Fininvest was offering DM200m ($138m) a season for the broadcasting rights. Pay-per-view television has not yet been launched in Germany. *AFX, Milan*

■ An Italian judge yesterday ordered 16 former MPs, including three ex-ministers, to stand trial on charges of corruption and misappropriation of funds during the 1990 Soccer World Cup hosted by Italy. The trial of Mr Vincenzo Scotti, Mr Paolo Cirino Pomicino and Mr Francesco de Lorenzo – former foreign, budget and health ministers respectively – and 13 others is due to start on April 12 in Naples.

The prosecution alleges the 16 misappropriated hundreds of billions of lire during enlargement of the San Paolo soccer stadium and construction work on a rapid tram route which was never finished. *Reuter, Rome*

NEWS: EUROPE

Russian bank body enters sell-offs row

By John Thornhill in Moscow

A senior representative of the Association of Russian Banks yesterday pitched into the growing controversy about the country's privatisation programma by arguing that the transfer of state assets to commercial banks would produce no economic benefit and could even destroy some industrial sectors.

Mr Vladimir Bazarya said the domestic banks in the process of winning control of the government's shareholdings in some of tha country's most valuable industrial enterprises would bring no added value to management.

He said some recent examples of banks buying into industrial enterprises had even led to a fall in production and the destruction of the companies concerned.

Despite mounting criticism from many quarters, the Russian government appears determined to press ahead with its privatisation programme. It is scheduled to conduct more auctions this week to transfer packets of state shares in some of Russia's biggest oil companies to the private sector.

Mr Anatoly Chubais, tha first deputy prime minister in charge of economic affairs, on Sunday stoutly defended the programme which is considered essential to raise funds to cover this year's budget deficit.

Mr Chubais said the controversial auction to transfer the state's shareholding in the giant Yukos oil concern would proceed as planned on Friday despite the opposition of three of Russia's most powerful banks. President Boris Yeltsin had fully supported the decision at a meeting he chaired last week, Mr Chubais said.

Mr Chubais criticised three banks that had urged the government to delay the Yukos auction after making allegations of malpractice against Menatep Bank, which is both conducting the auction and wants to make a bid.

Chubais: defended the government's privatisation programme

He claimed the three banks – Inkombank, Alfa Bank, and Rossisky Kredit – which themselves had wanted to bid for control of Yukos – were acting as proxies for foreign investors, who are barred from this particular privatisation.

And he lashed out at the banks' threat to dump their holdings of government securities if the auction was not delayed. "The banks' statement contained direct threats to ruin the currency and Treasury bill markets.

"Nobody can talk like that to the state because nobody is capable of doing such a thing," Mr Chubais told the Interfax news agency.

The government also announced yesterday it was committed to selling its 37 per cent shareholding in Rybinsk Motors this month by means of an investment tender. The purchaser of the shares in the country's biggest manufacturer of aircraft engines will be obliged to invest $162.5m by 1998 to modernise the company's manufacturing equipment.

The controversy over control of Rybinsk Motors has been fierce and has even involved Mr Yeltsin. Mr Valery Sheigunov, Rybinsk Motors' director general, has already voiced his opposition to the share sale, declaring it to "illegal".

Romania forced to cool economy

Government imposes slowdown ahead of next year's elections, writes Virginia Marsh

The Romanian government is reluctantly being forced to tighten monetary policy to cool down an overheated economy, raising the prospect of a politically unpopular slowdown ahead of next year's election.

The central bank has increased interest rates at its one-week credit auctions several times in the last month and doubled to 40 per cent the compulsory minimum reserves for hard currency assets held by banks.

In frustration at having to take unpopular measures, the authorities hava launched a crackdown on foreign exchange bureaux. They accuse the money changers of speculating against the leu, the national currency, allegedly contributing to a 30 per cent depreciation against the dollar in the past three months.

Over the last fortnight financial police have raided dozens of small *Casa de Schimb* that have sprung up in Bucharest since 1990, confiscating hundreds of thousands of dollars, held in leu and hard currency.

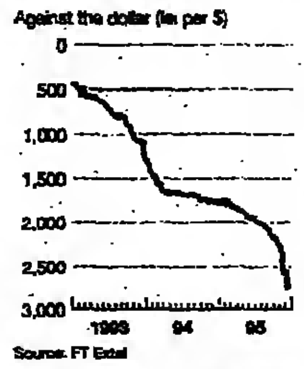
Government officials and the pro-establishment press accuse the exchange houses – which are only licensed to deal with tourists and the general public – of launching "speculative attacks" on the leu and of acting as "mini-banks" by dealing illegally with companies and engaging in money-laundering.

Economists say there is some truth in the accusations but also many more orthodox explanations for the collapse of the leu. "This crackdown on the exchange houses is a public relations exercise – a pure diversion," says one local economist. "The government and the central bank are to blame. They have allowed the economy to overheat and run up an unsustainable and unfinanceable current account deficit. The official market hasn't been working freely and the exchange house rates reflects more accurately the real value of the leu."

The exchange houses normally account for only 4-10 per cent of total foreign exchange transactions but there is a much larger "grey market" in which companies deal in foreign exchange among themselves.

The leu quoted at the exchange houses fell from around 2,100 to the dollar in early September to more than 3,200 in the middle of November, before stabilising at around 2,900 last week. The official reference rate – the average recorded in the daily inter-bank exchange market – fell from 2,060 at the beginning

Romanian leu



Source: FT Extel

of September to 2,160 in mid-October and was 2,541 yesterday.

The latest currency collapse has destroyed people's fragile confidence in the leu and has again encouraged a flight into hard currencies. Leu weakness was exacerbated by falling interest rates earlier this year and by a general perception that official inflation figures do not accurately reflect price increases. The collapse in confidence has undermined one of the government's greatest achievements over the last two years when renewed confidence in the currency led to a sharp rise in domestic savings, after years of high inflation which ravaged a currency worth 12 leu to the dollar in 1990.

Romania is now heading for a current account deficit of around $1.5bn this year, compared with $400m last year.

The deterioration is partly caused by increased imports of capital goods needed to modernise the economy.

But the inflow of consumer goods has also risen sharply this year as have imports by several large, loss-making state enterprises which have received cheap credits.

Romania's most pressing problem is that it cannot finance a current account deficit of this size.

It only re-entered international capital markets six months ago after an absence of more than a decade. Since 1990 when Romania first began to encounter balance of payments problems the country has had to rely mainly on credits from international financial institutions.

The government earlier expected to receive some $600m in financing from the International Monetary Fund and the World Bank this year. But agreement with the IMF has been held up by concerns over the functioning of the exchange market and over the size of next year's budget deficit. A World Bank loan to the financial and enterprise sectors of $250m cannot go ahead until Romania reaches agreement with the IMF.

In the meantime, the country's low reserves have fallen further because of the need to finance the current account deficit.

Central bank reserves fell from $600m at the beginning of the year to around $300m at the end of October. The net international reserves in the banking system fell from $1.35bn to $985m.

The central bank, which is supposed to be independent, started to warn some months ago that the economy was in danger of over-heating. Exports rose by 26.2 per cent in the first half compared with the same period last year but imports jumped 37.6 per cent, partly because a sharp rise in real wages increased domestic consumption.

The government, a coalition of former communists and nationalist parties, has little alternative but to tighten monetary and fiscal policies and impose other austerity measures to secure IMF and World Bank funding for its external deficit.

Because of this, the exchange bureaux are feeling the government's wrath.

German FDP may reshuffle its cabinet members

By Peter Norman in Bonn

The Free Democrat party (FDP), junior partner in Germany's centre-right coalition government, is bracing itself for an early change among its three ministers in the cabinet of Chancellor Helmut Kohl.

Mrs Sabine Leutheusser-Schnarrenberger, tha justice minister, has indicated that she will resign, probably next week, if a referendum of party members supports the bugging of private homes in the battla against organised crime.

The bugging issue has long divided the FDP which decided to put it to the vote of its membership in September. Although only 38 per cent of the eligible votes have so far been cast ahead of a final deadline next Monday, press reports have suggested that the party membership will back bugging.

Mrs Leutheusser-Schnarrenberger, who is on the party's left wing, made clear in a television interview late on Sunday that she would not welcome such an outcome. She said she felt "very committed" to an earlier FDP election pledge not to introduce the bugging of private homes.

This statement yesterday strengthened expectations that the justice minister was preparing her departure in the event of an adverse vote.

Not surprisingly, in tha light of last week's rash of rumours about early elections in Germany, it also fuelled speculation of a wider reshuffle among FDP cabinet members to boost the party's flagging electoral fortunes.

The latest rumours have suggested that Mr Günter Rexrodt, the economics minister, may also be shuffled out of the cabinet to give the FDP a new look ahead of important state elections on March 24.

Mr Rexrodt has denied such a possibility, but he has suffered a number of setbacks. The FDP under his leadership managed to win only 2.5 per cent of the vote in October's Berlin elections while the plan to liberalise shopping hours, in which he invested much political capital, has run into resistance.

The reshuffle speculation has rarely touched on Mr Klaus Kinkel, the foreign minister and former FDP leader, although his position has been weak since a Bundestag vote against his policy of maintaining relations with Iran.

Deutsche Telekom to cut private call rates

Deutsche Telekom is expected today to approve a package of rate cuts for private customers in a deal to gain regulatory approval of plans to offer big discounts to businesses, Reuter reports from Bonn.

The German minister of posts and telecommunication, Mr Wolfgang Bötsch, said the government had not presented Telekom's planned rebates for approval at yesterday's meeting of the telecommunications regulatory council pending additional proposals from Telekom.

"Telekom has said that it will now also do something for residential customers," Mr Bötsch said. "Wa will not be able to decide this year, but it is possible that if all conditions are met the rebates could take effect retroactively to January 1."

The council, made up of an equal number of representatives of parliament and the federal states, is concerned that rebates of up to 35 per cent for business customers will lead to higher residential tariffs and impede competition.

The regulatory council is now expected to discuss the tariff package at its next meeting on January 29.

Deutsche Telekom confirmed that the management board would meet today and that the company had proposed offering discounts for private customers, but gave no details about the planned rebates.

The ministry said that Telekom's management board would meet to approve a tariff package for private customers that could include discounts for frequently-called numbers and for use of online computer services.

Telekom's proposed rebates are part of a tariff reform that was approved by the government in 1994 and is set to take effect next year. Through restructuring tariffs the reform seeks an across-the-board cut in charges of 5 per cent.

But moving to head off competition as the German telecoms market is gradually deregulated, Telekom has been sharply cutting rates for business customers and long-distance calls. The 1996 tariff reform seeks to offset big cuts in long-distance rates by raising rates for some local calls. Local call rates have been criticised by the regulatory council and industry officials because of the cost to consumers using online computer services.

Opposition advances in Venezuela vote

By Stephen Fidler, Latin America Editor

The political party whicb has governed Venezuela for most of the 37 years since democracy returned has staged a comeback in regional elections.

The Democratic Action (AD) party, whose popularity sank under the then president Mr Carlos Andrés Pérez in the early 1990s, yesterday claimed 13 of the 22 governorships at stake on Sunday. The claims were backed by opinion polls released before official results became available. The party now holds eight governorships.

Unofficial returns also suggested AD had won the mayoralty of the capital, Caracas, against the left-wing incumbent, Mr Aristóbulo Isturiz, and more than half the 330 mayoralties at stake.

The elections have underlined the unpopularity of the government of President Rafael Caldera, whicb came to power in January 1994 at the start of a severe banking crisis. Mr Caldera's Convergence coalition has won one governorship in its own right and another three in co-operation with other parties.

High inflation, recession and growing unemployment have generated strong criticism of the way the government has handled the economy. The government is talking to the International Monetary Fund about a stand-by loan of up to $3bn which would entail a switch in the control-oriented economic policies so far pursued by the government.

The electoral turn-out was pnt at 30 to 35 per cent, indicating much voter apathy, which benefited more organised parties sucb as AD. However, the leader of the left-wing MAS party claimed AD had carried out national fraud.

Mr Pérez, under bouse arrest since July 1994 for alleged misuse of public funds while in office, was allowed to leave his house to vote on Sunday. The Supreme Court is to decide on his case early next year, but he is increasingly thought likely to be acquitted or to receive only a light sentence.

"One of Caldera's few successes has been in reviving the fortunes of two groups that were severely weakened: the trade unions and AD," said one diplomat in Caracas.

Agencies add from La Paz: The ruling coalition has an early lead in Bolivia's municipal elections, held on Sunday, and was expected to win mayoralties in half the country, preliminary results indicated. Two thousand council seats were being contested in 309 municipalities. The vote was seen as a referendum on the government's attempts to privatise state entities. Final results will not be available for a week.

Moving to a new beat

Sarita Kendall reports from Cali, the Colombian city trying to lose its drug-trafficking reputation

The days are gone wben a Colombian drug baron would take over one of the top hotels in the southern city of Cali and fly in an orcbestra for a birtbday party.

With six of tbe seven Cali cartel chiefs behind bars, there is a sense of relief in the city and *caleños*, known for their party-going, are picking up a different tempo.

"We need to take stock and turn problems into opportunities using tbe competitive advantages of the region," says Mr Fabio Rodriguez, executive president of the Cali chamber of commerce.

However, the effects of living with one of the world's biggest criminal organisations for more than 10 years are not so easily sbaken off. Furthermore, the imprisonment of the leaders has not put a stop to trafficking – others continue to operate, albeit witbout the same penetration of local institutions and authorities.

While the drug baron Pablo Escobar was being pursued in Medellín, in Colombia's north, the Cali traffickers kept as quiet as possible and accumulated more and more of the cocaine business.

Once Escobar was killed, the government's attention, with considerable prodding from the US, turned to the Cali organisation.

For more than a year, a special force combining army and police units raided offices, companies, rancbes and apartments linked to the cartel, unearthing sophisticated communications equipment and detailed accounts books and payment lists which are now tbe basis for corruption investigations reaching to the highest levels of Colombian politics.

The searcbes continue – particularly for the last and probably most violent of the cartel leaders, Helmer Herrera – but the pressure has eased. One encouraging sign is that the upward trend in homicides has been broken: tbe number of murders fell by 117 to 1,653 from January to October 22 compared with last year.

"I think the surrender of the chiefs bas influenced this – the drug organisation, with all the bodyguards and hangers-on and the accounts they settle between them, breeds violence," said Mr Francisco Murgueitio, special peace and security adviser to the mayor. He believes that a measure prohibiting male passengers on motor bikes also helped to reduce the homicide rate. Pillion riders often carried out professional killings.

"But crimes against property are growing – for example, bank robberies."

A programme to provide jobs for more than 300 former cartel employees and sacked policemen is being run by the provincial government. It includes training in managing small businesses – for instance, clothing and restaurants – and sessions on the peaceful resolution of conflicts.

"Some of them are already working. The aim is the social and economic re-integration of tbese people, who are now earning a fraction of what they did before. They have to understand that it takes time to build a legal business," said Mr Manuel Romero, the director of the programme.

The collapse of the local construction boom, which was fuelled by drug money, has also left many unemployed. A recent study by Cali real estate specialists estimates that some $600m a year was invested by traffickers in property during 1991-93.

Construction is down nationally but the impact on Cali, especially on the top end of the market, is far greater.

"Everyone concentrates on the illegal economy. That's only a small part of what Cali is. The real, solid economy has been built up over nearly a century," said an economist at the chamber of commerce, reflecting a general discontent at the way Cali's name has become internationally synonymous with drugs.

Altbougb regional gross domestic product has been growing more rapidly than the national economy in recent years, Cali has not been able to attract new foreign investment.

The 60 or so multinationals that arrived from the 1950s to the 1970s are more geared to domestic than to foreign markets and have had difficulty adjusting to import liberalisation.

With a population of 1.7m, Cali has outgrown its urban and regional infrastructure. A Pacific free trade complex is being built and there are plans to create a world trade centre as well as five decentralised industrial parks.

Business and political leaders are anxious to put the cocaine era behind them and look ahead; others fear that the present situation may be a phoney calm.

The party's over: Cali drug baron Jorge Rodríguez Orijuela was displayed by Colombian police after his arrest earlier this year AP

Salinas offers to defend himself

By Leslie Crawford in Mexico City

Mr Carlos Salinas, Mexico's former president, has offered to break his self-imposed exile to defend himself against accusations of concealing economic crimes allegedly committed by his elder brother Raúl and other political associates.

In a letter published yesterday in Mexico, Mr Salinas said he was being pilloried by the country's discredited political elite as Mexico's "favourite villain".

"The struggle fnr political power has become as tough as the economic crisis itself – except that the former seems to know nn bounds," he said. "Nothing that has happened in Mexico this year is unconnected to the tremendous fight for power."

Mr Salinas has nnt entered Mexico since he abandoned the country in March, shortly after Raúl was jailed nn charges of murder. He is believed to have taken up residence in Cuba. "I am willing, as I always have been, to put myself at the disposal of any investigation, even a legal one," he said.

The controversy surrounding Mexico's former ruling family has shifted from the murder charges against Raúl, to the wealth ammassed by the Salinas clan while Carlos was in office. Prosecutors say they are preparing to indict Raúl on charges of illicit enrichment, follnwing the discovery of his secret bank accounts in Switzerland which, according tn Berne police, contained almost $84m.

In his letter, Mr Carlos Salinas said he had heen "deceived" hy his hrother Raúl. "From the beginning of my presidency I asked him not to get mixed up in business."

Last week, the opposition Revolntionary Democretic party (PRD) demanded that Mr Carlos Salinas be hrought to Mexico to face a "political trial" before Congress due to alleged irregularities in the sale of Telmex, the state-owned telecoms monopoly.

AMERICAN NEWS DIGEST

UAW strike ends at Caterpillar

The United Autoworkers Union in the US has called an end to its 17-month-old strike against Caterpillar, the heavy equipment-maker, although its members had soundly rejected the company's latest contract offer in a weekend ballot.

The Detroit-based union, which recently elected new leaders, called off the action after deciding that the company had not been seriously affected by the strike, which involved about 13,000 workers. Caterpillar, in fact, posted strong profits, hy using temporary replacements and rotating administrative employees into its factories.

UAW leaders decided the strike's lack of impact made it a liability ahead of industrial bargaining with the big US auto companies next year. Strike benefits for members had been a drain on union funds. More than 4,000 UAW members had broken ranks and returned to work voluntarily during the action, leaving about 8,700 workers affected by the UAW's weekend surrender.

The dispute, which also led to a six-month strike in 1991, arose from work rules and union demands for industry-wide bargaining. Rank and file members said they were "disappointed" by Caterpillar's latest contract offer, which included no wage increase, limited job security for new workers, and gave the company flexibility that could eliminate overtime pay for night or weekend work. *Laurie Morse, Chicago*

US senator to stand down

The US Senate is to lose another of its more experienced members, following the decision by Wyoming's Mr Alan Simpson, 64, not to stand for re-election next year. The Republican moderate, known for his sharp tongue and critical views on the media, yesterday confirmed he had lost the drive to go for a fourth term. His departure hrings the tally of retiring senators to 12, and makes him the fourth Republican to withdraw to date.

Observers said his decision to quit after 17 years in Congress and at a relatively early age would further sap the resources of the Senate and its ability to take tha long view. Mr Simpson, once a leading Republican spokesman on immigration, has lost influence as more strident voices have emerged. His independent line on a range of issues was reported to have cost him a position as party whip when the Republicans gained the Senate majority in 1994. He set out on collision course with his colleagues when, shortly afterwards, he said losing had freed him to forge alliances with the Democrats.
Christopher Parkes, Washington

Economy made 'soft landing'

Mr William McDonough, president of the Federal Reserve Bank of New York, said the US economy appeared to have achieved a soft landing, combining low inflation, steady growth and low unemployment. But he warned the Fed must remain vigilant to achieve long-term price stability – this did not mean the central bank should abandon its concern for job and economic growth.

"Disciplined monetary policy has sharply reduced inflation and inflation expectations," Mr McDonough told America's Community Bankers. "It has contributed importantly to the removal of numerous structural imbalances that had developed in the 1980s," he added. *Reuter, New York*

■ Chile's consumer prices rose 0.1 per cent in November, down from 0.6 per cent in the equivalent month last year and 0.8 per cent in October, the government said. The figure hrought inflation so far this year to 7.9 per cent and, over the last 12 months, to 8.2 per cent. *Reuter, Santiago*

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NEWS: WORLD TRADE

$240m BP acetic acid plant for Chongqing

By Geoffrey Crothall in Beijing

British Petroleum yesterday signed a $240m joint venture agreement to build an acetic acid plant in the south-western Chinese city of Chongqing.

The deal is BP's largest direct investment in China and will provide the cornerstone for an additional $1bn in direct investment by BP in China's chemical industry over the next few years. Demand in China for acetic acid, an organic chemical used extensively in the textile, paint, electronics and food industries, currently exceeds supply, especially in western China, where production is negligible.

BP Chemicals and Shanghai Petrochemicals are negotiating establishment of an acrylonitrile plant and BP is also holding preliminary discussions with companies in Daqing, in north-east China, for another acetic acid plant.

Mr Bryan Sanderson, chief executive of BP Chemicals, said the company was "very close" to signing a $400m deal with Shanghai Petrochemicals for a plant which would produce 260,000 tonnes of acrylonitrile a year.

BP Chemicals will initially concentrate on developing three key technologies in China – acetic acid, acrylonitrile and polyethylene – and then may move into basic products, such as ethylene, propylene and oil refining.

BP has already invested about $200m in oil exploration in China, but without any commercial discoveries.

The joint venture signed yesterday with China Petrochemical's Sichuan Vinylon works in Chongqing is expected to come on stream towards the end of 1998 and have an initial capacity of 150,000 tonnes a year, making it the largest acetic acid plant in China. Capacity could significantly increase, Mr Sanderson said.

BP has a 51 per cent equity stake in the joint venture, Yangtze River Acetyls with Sichuan Vinylon holds 44 per cent, and Chongqing Investment and Construction Company holds 5 per cent.

East Europe's prospects brighten

Study sees cautious hopes for an end to Russia's six-year slump and 6% growth in Poland and Albania, but output in other CIS nations will keep falling, writes **Frances Williams**

Economic prospects for eastern Europe look bright next year and there are grounds for cautious optimism that the six-year slump in Russian output may be coming to an end, the United Nations Economic Commission for Europe says in a report published today.*

However, further falls in output are predicted for most other members of the Commonwealth of Independent States, whose economies are heavily dependent on Russia.

The Genava-based ECE expects growth in 12 eastern European economies to average about 4.5 per cent this year against 4 per cent in 1994, rising to 5 per cent in 1996.

Economic activity is rising fastest in Poland and Albania, where growth is predicted at 6 per cent or more this year.

The report says this recovery appears to be broadly based across agriculture, industry and services, and is being fuelled by an upturn in fixed investment as well as private consumption.

Domestic machinery producers and construction companies have benefited but consumer goods industries are struggling to fight off competition from imports.

This is reflected in a sharp deterioration in foreign trade and current account balances, the ECE notes. The recorded trade deficit more than doubled from $4bn to nearly $9bn between the first halves of 1994 and 1995, though the report says large-scale smuggling in some countries may exaggerate the gap.

Exports (in depreciated dollars) rose about 27 per cent in the first half of 1995 compared with the year-earlier period – but imports soared by 38 per cent.

Stripping out currency effects, export volumes may have risen by some 8-10 per cent on average in the first six months of this year and imports by 18-20 per cent.

Eastern Europe's overall current account deficit swelled to $4.9bn in the first half of 1995 from $1.7bn a year earlier. At present there are no financing difficulties, with more than sufficient inflows of foreign capital leading to a rebuilding of foreign currency reserves.

But the ECE warns that at some point worsening current account balances could constrain growth. In certain countries the rapid expansion of imports over exports may indicate emerging supply-side and competitiveness problems, it says.

Countries should also beware of reliance on "fickle" private capital flows from abroad, which have proved unexpectedly large this year.

In Russia the ECE is predicting a drop in GDP for 1995 of about 4 per cent, less than expected at the beginning of the year, and a big deceleration from the 15 per cent drop in 1994. Industrial output has been fairly stable since early 1995, the report notes.

But it takes a cautious view of future prospects, given uncertainties over the outcome of the current stabilisation programme and popular discontent with economic reform.

By contrast with eastern Europe, Russia is running big trade and current account surpluses, with export growth far outstripping import growth. This has proved bad news for other CIS members which do most of their trade with Russia. Their problems have been compounded by defective international payments arrangements, the ECE says.

Economic Bulletin for Europe, Vol 47 (1995). Available January 1996 from UN Sales Section, Palais des Nations, CH-1211 Geneva 10, fax +41 22 917 0054, $55.

Grain train leaving St Petersburg's port

European transition countries: foreign trade 1993-95

	Exports: Value (1994)	Exports: Growth (%) 1993	Exports: Growth (%) 1994	Exports: Growth (%) 1995*	Imports: Value (1994)	Imports: Growth (%) 1993	Imports: Growth (%) 1994	Imports: Growth (%) 1995*
Eastern Europe	$70.2bn	-8.1	18.4	26.8	$80.6bn	10.4	9.9	37.7
Russian Federation	$48.3bn	4.5	8.4	38.5	$28.3bn	-27.5	5.2	16.8
Other CIS	$ 9.9bn	-14.8	13.1	32.5	$ 7.7bn	15.5	17.0	20.3
Baltic states	$ 4.4bn	44.3	13.2	32.9	$ 5.2bn	75.0	23.1	24.9

*First half over same period of 1994
Source: National statistics and direct communications from national statistical offices to UN/ECE secretariat, CIS Statistical Committee

Batam airport plans improvements

By Manuela Saragosa in Jakarta

Indonesian authorities have started construction of an aircraft maintenance facility on Batam Island to upgrade the island's airport and promote its role as an international flight hub for south-east asia.

Batam, which lies 20km south-east of Singapore, and its surrounding islands are being developed as an industrial and tourist centre together with Singapore government authorities. Batam's airport is a centre for cargo for the island's industrial estates.

Batam's Hang Nadim airport, controlled by the Indonesian government and due to be inaugurated by President Suharto next week, recently had its runway extended to 4,000 metres to accommodate wide-bodied aircraft.

PT BAM, or Batam Aircraft Maintenance is scheduled to complete a hangar at a cost of Rp18bn (US$8m) by the end of next year, according to local press reports.

The official Antara news agency reported Indonesia's Air Force Chief of Staff, Marshall Rilo Pambudi, saying that PT BAM would service airlines which Singapore's Changi airport cannot accommodate. Marshall Pambudi said they handle different types of aircraft including Boeing 737 jets.

PT BAM is majority-owned by Indonesian stake-holders including the state-owned aircraft manufacturing company IPTN and Sempati Air, a private domestic airline controlled by one of President Suharto's sons. Singapore Technologies Aerospace, a unit of government-controlled Singapore Technologies, also has a 25 per cent stake in PT BAM.

Critics note that Batam'a ambitions as an alternative international flight hub are still hampered by high costs; aviation fuel, for example, is about 20 per cent more expensive on Batam than in Singapore. In addition, Singapore's Changi airport controls flight information in parts of Indonesian airspace, including Batam.

The latter has been a point of some friction between Indonesia and Singapore although the boundaries of flight information regions were revised in September this year when President Suharto made an official visit to Singapore.

Indonesia was given control of air traffic services over an additional space stretching from south of the Indonesian island of Sumatra to the Natuna islands in the South China Sea but Singapore's Changi airport retains supervision of aircraft movements from airports in Batam and neighbouring Bintan island.

The Indonesian authorities want Batam's Hang Nadim airport to act as a transit and connecting point for international flights, although they admit this aim is a way off.

WORLD TRADE NEWS DIGEST

Japan upset by CD-Rom move

The Japanese government may lodge a complaint over the EU's reclassification of CD-Rom drives, which has raised import tariffs from 3.9 per cent to 14 per cent. "We do not think this is an appropriate measure. Without a proper discussion of this matter, we cannot accept this move," the Ministry of International Trade and Industry said yesterday.

The EU recently announced that CD-Rom drives, which had been classified under computer accessories, would be classified as a device for audio-visual recording and replay. The re-classification and rise in import duties puts the EU out of line with countries, including the US and Japan, which classify CD-Rom drives as computer accessories. Miti is considering its options in responding to the EU move, including a complaint through the World Trade Organisation. Japanese makers and users of CD-Rom drives said the higher tariffs were a serious blow to their international operations. Sony, one of the top three makers of CD-Rom drives, said it was discussing with members of the industry association how to deal with the matter. *Michiyo Nakamoto, Tokyo*

Chile Mercosur talks stall

Negotiations for a free trade agreement between Chile and the Mercosur customs union – Argentina, Brazil, Uruguay and Paraguay – have stalled, frustrating hopes of giving an outline deal to a Mercosur heads of state meeting on Thursday.

Technical experts met in Montevideo last week to finalise the deal but talks foundered over Chile's desire to protect its traditional farming sector, principally wheat, sugar, rice, maize, oilseeds and beef and milk producers, from a rapid phasing out of tariffs. Chilean grain and meat producers have argued that they are less competitive than their Argentine or Uruguayan counterparts.

In Chile the main champions of a closer relationship with Mercosur are the manufacturers' associations, and service industries such as banking and insurance, who foresee growth for their area from increased trade and greater physical integration. *Imogen Mark, Santiago*

Contracts and ventures

■ Raytheon, the US defence group, has signed a A$150m (US$116m) deal to supply a new air traffic control system for the Royal Australian Air Force. The US group has joined forces with Stanilite Electronics, a local company, to replace air traffic control radars at six ADF airfields as well as transportable tactical facilities at the Richmond base, near Sydney. The contract also provides for the upgrading of data-processing and display systems. *Nikki Tait, Sydney*

■ Istanbul-based Onur Air has acquired one Airbus A321, and become a new customer for the Airbus Industrie. The 220-seat twinjet will be delivered in mid-1996 and powered with International Aero Engines (IAE) V2500 motors. Onur, a charter airline, flies five leased A320s and plans to lease two more A321s, due to be delivered in 1996. The average cost of an A321 is around $54m. *Reuter, Paris*

■ Bombardier, the Canadian-based aerospace and transit equipment group, has made a breakthrough with its 50 passenger Regional Jet in the Asia-Pacific region. Malaysia's new regional airline Saeaga, is buying one RJ, plus two turbo prop commuter aircraft, and has taken an option on two more turbo props. The total value of the deal is calculated at C$100m (US$73m). *Robert Gibbens, Montreal*

■ Swedish telecoms group Ericsson has won an order to supply a digital mobile telephone system in Hokuriku, north-west Japan. The order is worth SKr200m ($30m) and the system is expected to be operational in 1997. *Reuter, Stockholm*

US to quit Unido and may default on payment arrears

By Ian Hamilton Fazey in Vienna

The US yesterday confirmed its withdrawal from the United Nations Industrial Development Organisation at the end of next year but warned it was also likely to default on arrears and current contributions totalling more than $50m (£31m), even though they are legally binding.

Unido has been heavily criticised because of its past reputation for ineffectiveness, bureaucracy and excessive numbers of highly paid staff at its Vienna headquarters.

The immediate impact will be an emergency budget to be presented to Unido's general conference in Vienna today. About 230 jobs out of nearly 1,000 will be lost immediately. The US has contributed a quarter of Unido's regular budget since it was founded in 1966. About 80 per cent of costs go on staffing

Mr John Ritch, US permanent representative to Unido, said it would be difficult to get any more cash because of budgetary constraints and lack of consensus between the White House and the Republican-dominated Congress, where there was already hostility to Unido and several other international organisations. He admitted the contributions were legally binding and the US risked being in default, but it would try to minimise shortfalls to prevent damage to Unido as the US disengaged.

Unido was immediately promised continued support by the EU – but no extra money. Mr José de Yturriaga Barberan, speaking for the EU at tha conference, said Unido's attempts to reduce bureaucracy and become more cost-effective were moving too slowly. The EU wants "quantitative data" showing the progress of reform by June 30 next year.

However, Mr Barberan urged all countries to comply with their legal commitments to pay their contributions, which are assessed and apportioned on the basis of national wealth.

The UK's contributions were $5.4m in 1994-5 and $6.3m in the current year. It pays on time and has also contributed £3.5m from its Knowhow Fund to help east European industries modernise and cut pollution.

The Group of 77 non-aligned, developing countries said Unido's reform process had been "undermined" by cash crises resulting from the US's arrears. However, Mr Mauricio de Maria Y Campos, brought in two years ago as the director general to reform Unido, said later that 95 countries had paid nothing this year, 13 had made part payments and only 56 had paid in full.

Mr Thomas Klestil, president of Austria, opened the conference by pledging Austria's continued support and promised to keep paying fully and on time. "Everyone must share in the process of reform and all must meet their obligations," he added.

Mrs Benita Ferrero-Waldner, the Austrian foreign secretary, said the US withdrawal threatened one of Vienna's biggest local employers.

See editorial comment

Delays feared in implementing fish stocks treaty

By Alison Maitland

The first global treaty designed to protect fish stocks on the high seas, agreed four months ago, is already running into difficulty, conservationists warned yesterday.

The agreement was opened for signing at the United Nations in New York yesterday, with at least 30 of 112 countries taking part in the negotiations expected to join up immediately.

The treaty is designed to conserve species of fish which migrate over wide areas, such as tuna, or move between international and coastal waters, accounting for about 20 per cent of world fishing.

Mr Satya Nandan, Fiji's UN ambassador who chaired the talks, said the provisions for enforcing conservation were "stronger than I ever expected to achieve consensus on".

However, the WorldWide Fund for Nature feared that regional fisheries organisations charged with implementing the treaty were dragging their feet.

"We don't have a lot of time for fisheries," said Mr Michael Sutton, fisheries campaign director for WWF International. "This is not a speculative future threat. This crisis is happening now."

Some 70 per cent of fish stocks are either fully exploited, overfished, depleted or rebuilding after previous overfishing, according to the UN Food and Agriculture Organisation.

Mr Sutton said the International Commission for the Conservation of Atlantic Tuna (ICCAT), a regional fisheries organisation which includes the US, Canada, Japan and Spain, last month voted down as "premature" a US resolution to set up a working group to examine how to implement the treaty.

"Everyone was very optimistic in the summer," he said. "But now it comes to putting their money where their mouths are, the whole thing is beginning to break down."

The agreement gives regional fishing organisations responsibility for regulating and enforcing "sustainable fishing practices" in areas under their jurisdiction, including setting standards for reporting and verifying catches. A resolution before the UN General Assembly calls on countries to implement the agreement provisionally, because it will not become binding until ratified by national parliaments of 30 countries, which could take up to two years.

Mr Sutton said some countries such as Spain, with the EU's biggest fleet, were insisting on inserting their own interpretation of parts of the treaty before signing up.

An internal legal wrangle is holding up EU signature. The Commission, council of ministers and some countries, including the UK, think member states and the Commission should both sign. Other member states say only the Commission need sign.

Loosening banks' hold on Israeli business

Government seems determined to reduce ownership concentration in the economy, writes Julian Ozanne

The Israeli government appears determined to break the domination of the country's leading banks on business and reduce the concentration of ownership in the economy.

An official Treasury committee recommended on Sunday that Israel's leading banks be forced to sell off many assets in non-financial companies.

If adopted as expected, the recommendations would lead to a reduction in the traditional concentration in the Israeli economy and promote competition – but would impair banks' profitability and could derail government efforts to privatise state-run banks.

The cabinet has to decide by mid-month whether to adopt the recommendations.

On one side of the debate that will take place before then is the Treasury and the central bank. They have long waged a battle to break up Israel's powerful banking groups and separate them from their non-financial assets. On the other side are the banks themselves and the investors bidding for a controlling stake in Israel's biggest bank.

At the centre of the debate are Israel's two biggest banks, Hapoalim and Leumi. For historic reasons Bank Hapoalim, traditionally owned by the Histadrut trade union federation, and Bank Leumi, traditionally owned by the Jewish Agency, the Israeli "government-in-waiting" before the creation of the state of Israel, played pivotal roles in early Zionism and the creation of the economy of the Jewish state. By the time they were nationalised during the banking crisis of 1983, which followed a share *manipulation scandal* and a collapse in bank shares, they had come to dominate the financial sector and hold huge stakes in many of Israel's biggest non-financial companies.

According to a Treasury sponsored report the two banks hold Shk188bn (£40bn) of deposits, 64 per cent of total deposits in the banking system; extend 62 per cent of bank credit; service 66 per cent of bank accounts; and manage Shk54bn, 65 per cent of the assets of Israeli mutual and provident funds.

Furthermore the two banks have controlling stakes in many of Israel's biggest companies, including two of the country's big four holding companies, Koor Industries and Clal Israel. The non-financial holdings of the banks include insurance, electronics, building and construction, *telecommunications*, tourism, chemicals and textiles. Bank Hapoalim alone is involved in the activities of at least 770 Israeli companies with an equity portfolio equivalent to about $800m.

Last year parliament passed banking regulations – the so-called 25-25 rule – limiting bank holdings of no more than 25 per cent of the equity of any non-financial company and their total non-financial holdings to no more than 25 per cent of the capital of the bank. The banks were given to the end of 1996 to implement the regulations.

However, many government officials felt the regulations did not go far enough and were not taken seriously by the banks. A new committee was formed earlier this year to make further recommendations.

On Sunday the committee recommended:

- Banks' non-financial holding should be reduced to a maximum of 20 per cent of the equity in any single company by the end of 1998;
- Banks should be limited to the number of directors they can appoint in a non-financial company and should not be allowed to nominate a chairman or managing director;
- The total value of non-financial holdings should not exceed 15 per cent of the banks' equity by the year 2001 (Bank Hapoalim's non-financial assets today equal 25 per cent of its capital, Bank Leumi is at 14 per cent);
- The banks should not be allowed to sell any of their holdings to any of Israel's four major holding companies;
- The proceeds of the sale of the assets will be distributed as a dividend;
- The banks should not be allowed to hold an equity stake in more than one large diversified holding company, therefore Bank Hapoalim should sell its entire holding in either Koor Industries of Clal Israel by the end of 1998.

Mr Shimon Ravid, joint managing director of Bank Hapoalim, said he was shocked at the extent of the recommendations. He said the government had yet to prove that banks' large non-financial holdings had any detrimental effect on the Israeli economy. The trend in tha global banking industry was towards larger banks, he said.

The forced sale of non-financial assets would harm the company's profitability, he said – Bank Hapoalim's non-finan*cial assets have contributed 40* per cent of profits recently.

He also said the distribution of dividends from sales would significantly reduce Hapoalim's current $2.2bn equity and would lower its ability to make loans.

"The committee has advised us on what to sell, how to sell, whom not to sell to and what to do with the money. I would say this is a Bolshevik economy," he said. "The proposals not only contradict declarations that Israel is a liberal country, but in the future will prevent large conglomerates from competing in world markets."

One of the group of investors currently bidding for a 40 per cent controlling stake in Bank Hapoalim, which includes Goldman Sachs, Mr George Soros and the Bromfman family of Canada, said it would reconsider its participation in the tender at a meeting in London next week.

But tha committee said the privatisation exercise offered the best opportunity for the government to break economic concentration before the banks and their considerable holdings pass into private hands, which may be more tempted to abuse the banks' market power or their control over investment assets.

A committee report said that bank non-financial holdings posed a risk to banks' safety and soundness, led to distortions in the banks' management of investment funds and led to distortions in the competitiveness of the economy. The committee also rejected the argument that the combinations between banks and *non-financial holdings* were vital to bank profitability. It said the dangers of "bank-conglomerate combinations" were particularly acute in Israel given the fact that the two big banks manage most of the money invested by the public in investment funds and play a big role in providing investment management services.

"Maintaining the axisting combinations would be detrimental to the Israeli economy," the report said. "These combinations would likely create substantial distortions in both the financial and non-financial sectors.

"We therefore believe the steps we recommend would facilitate the growth and development of the Israeli economy," the report said.

Israel's two largest banks: their main holdings*

Bank Hapoalim

Koor Industries (holding company) 23% (Shk175m)
- Makteshim (chemicals)
- Tadiran (electronics, telecommunications)
- Agan (chemicals)
- Granit (petroleum distribution)
- Middle East Tube Company (metal and pvc products)
- United Steel (metal products)
- Merhav (building materials)

Clal Israel (holding company) 33.9% (Shk659m)
- Clal Industries
- Clal Trading
- Clal Insurance
- Clal Electronics
- Ordan (iron and steel products)
- Azorim (construction, real estate)
- Ytong (building materials)
- Kitan (textiles)
- American Israel Paper (paper products)
- Polgat (textiles)

Delek (petroleum distribution) 25.5% (Shk228m)
- Petrochem (petrochemicals)

Hapoalim Investments 45.4% (Shk134m)
- Teledata (telecommunications)

Ampal (US holding company) 52.7% (Shk274m)

Dfur (building and development) 100% (Shk90m)

Bank Leumi

Africa Israel (construction, hotels, real estate) 50.4% (Shk457.3m)
- Peker Plada (real estate, construction)

Af Ser 49% (Shk101.4m)

Leumi Insurance Holdings 27.7% (Shk101m)

Ihud Insurance Agencies 100% (Shk18.6m)

Source: Bank of Israel, Ministry of Finance, the banks Hapoalim and Leumi

*Based on book values

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Japan's GDP on track to expand 1% by next March

By William Dawkins in Tokyo

Japan's economy grew less feebly than expected in the three months to September, ahead an annualised 0.6 per cent in real terms, avoiding a depression but still well short of recovery.

The result puts Japan's GDP on track to expand 1 per cent in the fiscal year to next March, Mr Makoto Kobayashi, vice-minister of economic planning said. That would be the best since 1991, but far below the government's 2.8 per cent target for the current year.

While no cause for celebration, the latest growth figure reduces political pressure on the government to add to the record fiscal and monetary stimulus it has delivered since August. A meagre 0.2 per cent growth in GDP compared with the previous three months came chiefly because of a stronger-than-expected rise in private spending.

Private consumption rose by 1.2 per cent over the preceding quarter, led by increased spending on cars and clothes, to contribute 0.7 per cent to the overall growth rate. A decline in exports, led by a fall in car sales to the US, removed 0.5 per cent from GDP growth.

Some private-sector economists saw the rise in consumption as a sign that record low interest rates and a rise in public investment, 5.7 per cent on the previous quarter, might be starting to stimulate wider activity. "From here on, it should be up," said Mr Richard Werner, chief economist at Jardine Fleming in Tokyo.

Mr Warner warned an alternative reading of the GDP figures shows the economy may still be at the bottom of the recession, with scant evidence it had yet turned the corner.

On a nominal basis, not adjusted for inflation, GDP fell 0.4 per cent year on year, the third consecutive quarter of decline, the longest since the second world war.

Nominal data can be revealing when prices are in decline since it highlights value rather than volume of activity. Even on a nominal measure, consumption is improving. The GDP deflator, a measure of price changes, fell 0.2 per cent from the same period last year, the smallest fall for 12 months, following the rise in import prices caused by the yen's decline since August.

"These figures show the economy has been moving sideways in the middle two quarters of this year and has not fallen into a deflationary spiral," Mr Russell Jones, chief economist at Lehman Brothers in Tokyo, said.

The main bad news was an unexpected 1.9 per cent quarter-on-quarter decline in corporate capital spending, the first drop in nine months. Several economists believed statistical factors were to blame, since other data, such as increased spending on industrial machinery, pointed to a rise in capital investment during the period.

Bank lending is another clue to corporate activity. According to the latest industry figures, the balance of corporate loans rose slightly, by 0.3 per cent in the three months to September. But within this there was a 1.6 per cent rise in lending to small businesses, which represent roughly half of production and employment.

More evidence of whether the Japanese economy is really on the turn comes on Friday. The Bank of Japan is to publish its quarterly survey of business confidence, result of a study of top groups in mid-November. Economists expect it to show modest recovery.

PROSECUTORS START PROCESS TO ARREST EX-CABINET MINISTER

Japanese prosecutors yesterday began final preliminary procedures for the arrest of a former cabinet minister on charges of embezzlement and breach of trust, Gerard Baker reports from Tokyo.

An application for an arrest warrant for Mr Toshio Yamaguchi was lodged with the Tokyo district court after investigators were given the go-ahead by the justice ministry. Mr Yamaguchi is wanted in connection with the collapse of two Tokyo-based credit co-operatives last December.

As a member of the house of representatives of the Japanese parliament, Mr Yamaguchi cannot be arrested without the express consent of his fellow members in plenary session. The cabinet yesterday agreed to let the house decide on the matter later this week.

It is unlikely members will stand out against the prosecutors, and Mr Yamaguchi seems certain to face arrest within days. It would be only the second arrest of a sitting MP in the past 28 years.

The moves followed more than 10 months' investigation into Mr Yamaguchi's involvement with Anzen and Tokyo Kyowa credit co-operatives. He is accused of conspiring to arrange unlawful loans worth more than Y2.7bn (£17.4m) for members of his family from Anzen.

The money was raised, it is alleged, for the ostensible purpose of financing golf course development, but prosecutors claim it was used to repay debts of companies owned by Mr Yamaguchi and his family. The former minister's sister and brother have already been arrested in connection with the loans.

Mr Yamaguchi was labour minister in a Liberal Democratic cabinet in the mid-1980s. In the political upheaval of 1993, he left the LDP to sit as an independent.

Last year, he signed up with the opposition New Frontier party, an organisation that has as one of its main aims the reform of Japanese politics. He resigned from New Frontier in March. The former minister is a close friend of Mr Harumori Takahashi, a property developer and president of Tokyo Kyowa, who stands charged with breach of trust.

Australian building suppliers fined for price-fixing

By Nikki Tait in Sydney

A federal court yesterday fined three of Australia's largest building materials companies, and a number of their executives, a total of A$21m (£9.93m) for price-fixing in the Queensland concrete market between 1989 and 1994.

The case was brought against subsidiaries of Boral, CSR and Pioneer by the new Australian Competition and Consumer Commission, which has taken over the role of the former Trade Practices Commission, the country's competition watchdog.

The ACCC alleged that the companies ran a well-organised cartel, fixing the base price of pre-mixed concrete to the growth markets of Brisbane, the Gold Coast and Toowoomba through more than 50 meetings over the five-year period. A number of big building projects, including the World Trade Centre site and the Queensland Convention Centre, are thought to have been affected.

Under the cartel arrangements, the ACCC alleged, tha companies were able to maintain market share and specific customers. "What made the conduct particularly reprehensible in this case was that these companies, or other companies within their groups, had been fined for exactly tha same thing in the past," said Prof Allan Fels, chairman of the ACCC.

He indicated that if fines for price-fixing fail to deter such behaviour, the ACCC would press for jail terms.

With the companies admitting to the anti-competitive behaviour and providing information to the commission, the court fined them equal sums of A$6.6m. In addition, executives at Pioneer were fined A$60,000; at Boral A$200,000; and at CSR A$100,000. The same companies were also ordered to pay A$100,000 each in penalties for their role in price-fixing in the South Australian roof tile industry.

Deadline for feud of Bangladesh's 'two ladies'

Election date set in an attempt to resolve political impasse, writes **Mark Nicholson**

After 20 months of a paralysing political feud marked by boycotts, parliamentary resignations, strikes and rising violence, Bangladesh'a political leaders – more precisely the "two ladies", Mrs Khaleda Zia, the Bangladesh Nationalist party prime minister, and Sheikh Hasina, leader of the opposition Awami League – have been given a deadline to reach accommodation.

Mr Justice A K M Sadeque, the country's chief election commissioner, on Sunday set an election date for January 18. The date is not immutable. The two women could agree to defer polls – though no later than February 20 under the present constitution.

Bnt tbe announcement begins a constitutional countdown against which the two women must decide whether to allow a vote to settle their increasingly debilitating impasse or see the country lurch into constitutional crisis, civil disorder and economic dislocation.

If the row cannot be satisfactorily resolved, the biggest losers are likely to be Bangladesb's 120m generally poor people.

Whatever its alleged sins, tbe present government bad been successful in stabilising the economy, deregulating trade and industry and freeing a business sector – notably in the booming garment industry – which has pushed economic growth above 5 per cent and raised exports by a third.

Bangladeshi rivals: Sheikh Hasina (left) and Mrs Khaleda Zia

But the recent series of lengthening *hartals*, or political stoppages, called by Sheikh Hasina and ber opposition partners, the Jatiya party and the Jamaat-e-Islami, bave already started to threaten Bangladesb's fragile economy.

The stoppages, though manifestly unpopular with the mass of poor daily-waged labourers, traders and frustrated businessmen, have been enforced by gangs of stone-throwing "supporters".

If their demands remain unmet by Thursday, Sheikh Hasina says, the opposition will call an indefinite road, rail and air blockade. This would be a severe blow to the garments sector – the country's biggest export industry.

"The tragedy is that this comes at a time wben the country has the opportunity to raise its growth rate from about 5 per cent towards 7 or 8 per cent – to really get motoring," says a diplomat. "In terms of lost opportunity, the politics are really getting in the way."

The dispute centres on Sheikh Hasina's claim that "free and fair" elections are impossible under Mrs Zia's BNP government. They would be possible, she claims, only if Mrs Zia and her government resigned and an election were held under a "nautral caretaker government".

The call has become Sheikh Hasina's political mantra since she and her 90 MPs began boycotting parliament, along with two smaller opposition parties, after a by-election in March 1994 which she alleges the BNP won from the Awami League by vote rigging.

Her party resigned from the 330-seat assembly whicb was dissolved on November 24, requiring polls within 90 days.

Mrs Zia has so far resisted opposition demands, arguing that no such "caretaker government" is possible under Bangladesh's constitution. This was agreed by both the BNP and Awami League after the 1991 poll that ushered in democracy when popular protests forced out General Hossain Mohammed Ershad's military administration.

She has offered to stand down 30 days before the elections. Not good enough, says Sheikh Hasina.

To date, the distrust between the two women over this single point has proved immune to the most strenuous diplomacy.

Sir Ninian Stephen, the eminent Australian lawyer, spent four fruitless weeks last year on a Commonwealth conciliation mission, leaving blame for the continued impasse largely at Sheikh Hasina's unshifting feet. Bangladesh's main aid donors, most publicly the US, have since, and equally unsuccessfully, taken up the case.

Much of the problem, Dhaka's political commentators point out, is personal rather than political. Enmity dates from the earliest of Bangladesb's power struggles. Sheikh Hasina's father, General Mujib, who founded the country after a war of independence against the Pakistani government, was assassinated by army officers in 1975 while Mrs Zia's then husband, General Zaiur Rahman, was a senior figure in the military. General Rahman later became head of state and was himself assassinated.

Bitterness and suspicion deriving from perceived historical wrongs arguably separate the two women far more than policy differences between their parties.

On economic policy, for instance, Sheikh Hasina easily admits that there "isn't much difference" between them.

The prospect of Bangladesh's 52m voters going to a contested poll in January therefore seems to depend on the two finding a face-saving formula.

However, if Sheikh Hasina and her political partners boycott the election, says Justice Sadeque, he could be forced to abandon it. In such circumstances, other officials even suggest that the army might feel obliged to intervene and hold elections under the "neutrality" of martial law.

More likely is an attempt to fudge a semi-constitutional solution, whereby Mrs Zia would announce her resignation and entrust the president, the former BNP speaker of the bouse, to create a short-term election-holding administration under his vaguely defined "residual powers".

It is widely felt – by all but party officials – that while both the BNP and Awami League have lost support during the protracted feud, tha unpopularity of the *hartals* has hurt Sheikh Hasina more.

On the evidence of the past 20 months, a poor performance in contested polls are likely to do nothing to persuade Sheikh Hasina, adamant that sbe speaks for the majority, that the polls could possibly have been free and fair.

ASIA-PACIFIC NEWS DIGEST

Tax take boosts Indian finances

India's unexpectedly buoyant tax and customs revenues meant only "marginal slippage" from a target deficit of 5.5 per cent of gross domestic product this fiscal year, Mr Manmohan Singh, India's finance minister, told a Delhi meeting of the World Economic Forum yesterday. State spending this year was "not going to be way out of line" with expectations. While expected revenues from public-sector asset sales would suffer from recent falls in India's stock markets, he expected tax and customs receipts to exceed targets by Rs60bn (£1.1bn) for the 1995-96 fiscal year ending next March. Only Rs1.7bn has been raised of the hoped for Rs70bn from public-asset sales.

"One should not run away with the image that India's fiscal system is out of control," Mr Singh said. Industrial growth was running at 11 per cent and overall economic growth looked set to reach 6 per cent this year. Whils import growth continued to outstrip exports, India was heading for a current account deficit this year of 1.5 per cent of GDP, which was "entirely sustainable". *Mark Nicholson, New Delhi*

US food outlet reopens in Delhi

KFC yesterday reopened its outlet in New Delhi after the Delhi High Court quashed a November 15 order by the capital's Municipal Corporation seeking its closure on hygiene grounds. The action followed an attempt to cancel KFC's licence in the capital because the chicken contained monosodium glutamate and sodium aluminium phosphate, which were claimed to be harmful. *Shiraz Sidhva, New Delhi*

Australia tops up soft loan pool

Australia is to provide more money for the World Bank's concessional loan pools, a welcome gesture for the bank when its funding is threatened by the US Congress. Mr Ralph Willis, federal treasurer, said yesterday Australia would increase its shareholding in the International Bank for Reconstruction and Development and International Finance Corporation and join the Multilateral Investment Guarantee Agency at a cost of A$43m (£20.07m). *Nikki Tait, Sydney*

Tokyo assails results on Internet

The Tokyo Stock Exchange does not want companies to send their earnings results to individual investors over the Internet shortly after the results are announced in news conferences, a TSE official said. Such data transfers could go against the companies' self-imposed ban on insider trading. Under present rules, primary recipients of important corporate information, such as the media and company officials who get the news first, are not allowed to deal in securities of the concerned companies for 12 hours. *Reuter, Tokyo*

INTERNATIONAL ECONOMIC INDICATORS: NATIONAL ACCOUNTS

Figures for GDP/GNP are in billions of European currency units (Ecu). The first breakdown is in current prices and the second shows growth rates in the constant price series.

UNITED STATES

CURRENT PRICES	Gross Domestic Product	Private Cons. (as a % of GDP)	Private Invest.	Govt. Spend.	Net Exports
1985	5,298.1	66.0	17.7	19.1	–2.9
1986	4,339.8	66.8	18.8	16.5	–3.1
1987	3,933.8	67.2	16.5	16.4	–3.2
1988	4,141.1	67.3	16.2	13.7	–2.2
1989	4,766.1	67.1	15.6	18.6	–1.5
1990	4,351.8	67.8	14.6	18.8	–1.3
1991	4,620.1	68.2	13.0	19.2	–0.3
1992	4,646.3	68.7	13.1	18.7	–0.5
1993	5,419.3	68.0	13.9	18.1	–1.0
1994	5,663.1	66.7	15.3	17.4	–1.5
4th qtr.1994	5,586.5	68.6	15.6	17.2	–1.4
1st qtr.1995	5,529.1	68.5	15.9	17.2	–1.6
2nd qtr.1995	5,335.8	69.0	15.6	17.2	–1.8
3rd qtr.1995	5,463.1	68.9	15.7	17.2	–1.7

CONSTANT PRICES (% growth in)	GDP	Cons.	Invest.	Govt.	Exports
1985	3.2	4.4	–1.5	6.1	1.2
1986	2.9	3.6	–1.5	5.2	6.6
1987	3.1	2.8	1.9	3.0	10.5
1988	3.9	3.6	3.2	0.6	15.8
1989	2.5	1.8	1.4	2.0	11.9
1990	1.2	1.6	–4.7	3.1	8.2
1991	–0.6	–0.4	–8.4	1.2	6.3
1992	2.3	2.8	6.1	–0.7	6.7
1993	3.1	3.3	13.0	–0.6	4.1
1994	4.1	3.5	16.1	–0.8	9.0
4th qtr.1994	4.1	3.5	14.7	–1.0	11.6
1st qtr.1995	4.0	2.8	13.9	–0.1	14.0
2nd qtr.1995	3.3	3.3	7.2	0.4	11.4
3rd qtr.1995	3.3	3.2	7.7	–0.4	10.4

JAPAN

CURRENT PRICES	Gross National Product	Private Cons. (as a % of GNP)	Total Invest.	Govt. Cons.	Net Exports
1985	1,780.2	56.7	28.0	9.5	3.7
1986	2,033.6	58.3	27.7	6.7	4.3
1987	2,102.2	58.4	28.4	9.4	3.8
1988	2,466.0	57.8	30.4	6.2	2.9
1989	2,825.4	57.3	31.5	9.1	2.2
1990	2,321.9	57.0	32.5	6.1	1.4
1991	2,729.4	56.1	32.3	9.1	2.5
1992	2,848.8	56.7	30.8	8.2	3.3
1993	3,609.2	57.6	29.7	9.5	3.2
1994	3,911.0	58.7	28.6	8.8	3.0
4th qtr.1994	3,849.1	59.1	28.3	8.7	2.8
1st qtr.1995	3,875.6	59.0	28.4	10.2	2.4
2nd qtr.1995	4,228.5	59.2	28.5	10.1	2.3
3rd qtr.1995					

CONSTANT PRICES (% growth in)	GNP	Cons.	Invest.	Govt.	Exports
1985	4.5	3.3	6.5	0.3	6.6
1986	3.0	3.5	4.2	5.2	–6.1
1987	4.3	4.2	8.4	1.8	5.1
1988	6.3	5.3	14.2	2.3	10.6
1989	4.9	4.7	6.3	2.0	18.4
1990	5.1	4.4	8.2	1.5	10.8
1991	4.0	2.8	4.5	2.0	5.0
1992	1.3	2.1	–2.5	2.0	2.0
1993	0.1	1.1	–2.2	2.4	–1.6
1994	0.5	1.8	–3.0	2.2	2.6
4th qtr.1994	0.3	1.1	–1.3	8.8	6.7
1st qtr.1995	0.0	0.7	0.4	3.5	5.8
2nd qtr.1995	0.1	1.6	1.3	0.5	5.6
3rd qtr.1995	0.1	1.4		0.9	9.1

GERMANY

CURRENT PRICES	Gross Domestic Product	Private Cons. (as a % of GDP)	Total Invest.	Govt. Cons.	Net Exports
1985	820.4	56.6	19.6	20.0	3.6
1986	906.0	55.4	19.6	19.8	5.2
1987	961.5	55.7	19.3	20.9	5.0
1988	1,009.8	55.0	20.1	18.7	5.2
1989	1,075.2	55.0	20.8	18.8	5.4
1990	1,182.9	54.4	21.5	18.3	5.9
1991	1,396.1	57.0	23.6	19.5	–0.1
1992	1,520.9	57.1	22.9	20.1	–0.1
1993	1,628.1	58.2	21.4	20.1	0.4
1994	1,727.7	57.6	22.8	18.6	0.5
4th qtr.1994	1,772.2	56.9	23.4	19.3	0.4
1st qtr.1995	1,827.2	57.0	22.7	19.7	0.6
2nd qtr.1995	1,882.2	56.7	22.5	19.8	1.3
3rd qtr.1995					

CONSTANT PRICES (% growth in)	GDP	Cons.	Invest.	Govt.	Exports
1985	2.3	1.8	–1.2	2.1	3.1
1986	2.3	6.5	3.8	2.5	–0.6
1987	1.4	3.5	0.3	1.8	–0.1
1988	3.6	2.4	7.8	2.1	5.2
1989	3.7	3.2	6.5	–1.8	10.6
1990	5.6	5.2	6.7	2.2	11.6
1991	4.6	5.7	6.7	0.3	11.0
1992	1.6	2.6	0.1	5.0	–1.5
1993	–1.2	0.5	–6.5	–0.6	–4.6
1994	3.0	0.9	9.7	1.2	8.0
4th qtr.1994	3.7	0.6	15.9	1.7	8.9
1st qtr.1995	2.7	0.8	8.2	1.4	5.1
2nd qtr.1995	2.5	2.3	3.8	1.8	3.1
3rd qtr.1995					

FRANCE

CURRENT PRICES	Gross Domestic Product	Private Cons. (as a % of GDP)	Total Invest.	Govt. Cons.	Net Exports
1985	691.6	60.8	18.8	18.8	0.7
1986	746.1	60.2	19.6	19.2	1.0
1987	770.5	60.6	20.2	18.1	0.1
1988	815.2	59.8	21.4	18.7	0.1
1989	877.8	59.4	22.3	18.2	0.1
1990	940.6	59.3	22.5	18.2	0.0
1991	973.0	59.8	21.5	18.6	0.3
1992	1,024.6	59.6	19.8	19.1	1.3
1993	1,068.8	60.6	17.1	20.1	2.2
1994	1,124.5	60.1	18.0	19.6	2.1
4th qtr.1994	1,151.0	59.6	18.5	19.7	2.2
1st qtr.1995	1,172.5	59.3	18.5	19.7	2.5
2nd qtr.1995	1,190.5	59.8	17.8	19.8	2.6
3rd qtr.1995					

CONSTANT PRICES (% growth in)	GDP	Cons.	Invest.	Govt.	Exports
1985	1.9	2.4	2.6	2.3	1.6
1986	2.5	3.9	6.6	1.7	–1.4
1987	2.3	2.9	5.1	2.8	3.1
1988	4.5	3.3	9.8	3.4	8.1
1989	4.3	3.1	8.8	0.5	10.2
1990	2.5	2.7	3.4	2.1	5.4
1991	0.8	1.4	–3.1	2.8	4.1
1992	1.3	1.4	–4.7	3.4	4.8
1993	–1.5	0.2	–14.0	3.3	–0.4
1994	2.9	1.5	10.5	1.1	5.8
4th qtr.1994	4.1	1.6	19.8	0.9	7.7
1st qtr.1995	4.0	1.8	7.5	1.8	10.8
2nd qtr.1995	2.9	2.7	1.2	2.0	6.8
3rd qtr.1995					

ITALY

CURRENT PRICES	Gross Domestic Product	Private Cons. (as a % of GDP)	Total Invest.	Govt. Cons.	Net Exports
1985	561.8	62.6	22.5	16.7	–1.6
1986	616.7	62.2	20.9	16.5	0.4
1987	658.4	62.4	21.0	18.2	–0.3
1988	710.5	61.9	21.5	17.1	–0.5
1989	790.8	62.4	21.6	16.9	–0.6
1990	861.4	61.8	21.0	17.7	–0.4
1991	933.5	62.2	20.4	17.7	–0.4
1992	945.0	63.0	19.4	17.6	–0.3
1993	844.0	62.5	18.8	17.9	2.9
1994	859.9	62.8	17.0	17.3	2.9
4th qtr.1994	859.9	62.5	16.0	17.1	2.4
1st qtr.1995	838.2	61.5	18.7	18.8	3.0
2nd qtr.1995	798.6	62.0	17.6	16.6	3.5
3rd qtr.1995					

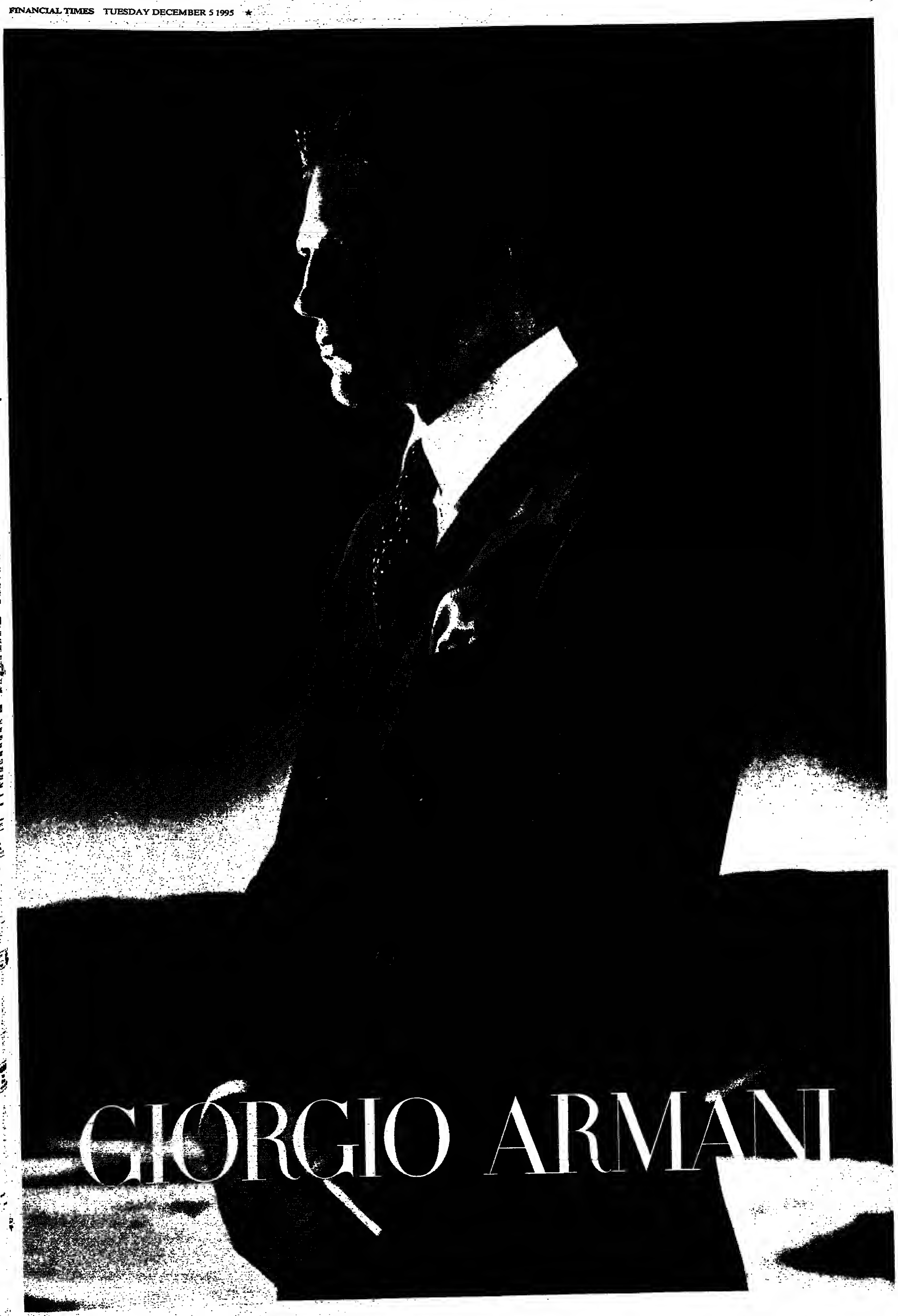
CONSTANT PRICES (% growth in)	GDP	Cons.	Invest.	Govt.	Exports
1985	2.6	3.0	1.7	3.4	3.2
1986	2.9	3.7	1.4	2.6	2.5
1987	3.1	4.2	4.6	3.4	4.7
1988	4.1	4.2	6.3	2.8	5.4
1989	2.9	3.6	2.3	0.6	8.8
1990	2.1	2.5	3.7	1.2	7.0
1991	1.2	2.7	–0.1	1.6	0.5
1992	0.7	1.1	–0.1	1.0	6.0
1993	–1.2	–2.6	–18.3	0.7	9.4
1994	2.2	1.8	4.4	0.0	10.9
4th qtr.1994	3.1	2.0	14.2	0.5	10.8
1st qtr.1995	4.1	1.4	13.9	0.0	13.8
2nd qtr.1995	2.8	1.1	2.7	–0.7	17.6
3rd qtr.1995					

UNITED KINGDOM

CURRENT PRICES	Gross Domestic Product	Private Cons. (as a % of GDP)	Total Invest.	Govt. Cons.	Net Exports
1985	606.6	60.9	17.2	21.1	0.9
1986	573.7	62.8	17.1	21.0	–0.6
1987	600.8	62.7	18.0	20.6	–1.3
1988	709.6	63.5	20.3	19.9	–3.7
1989	766.9	63.4	21.0	19.7	–4.1
1990	770.8	63.1	19.2	20.5	–2.7
1991	821.6	63.4	16.1	21.6	–1.1
1992	611.8	63.9	15.4	22.1	–1.3
1993	810.7	64.3	16.1	21.9	–1.2
1994	864.9	63.9	15.5	21.6	–0.9
4th qtr.1994	877.4	63.8	15.9	21.4	–1.1
1st qtr.1995	866.2	63.7	15.3	21.3	–0.3
2nd qtr.1995	847.4	63.8	15.8	21.6	–0.8
3rd qtr.1995	852.5	64.0	15.6	21.3	–1.0

CONSTANT PRICES (% growth in)	GDP	Cons.	Invest.	Govt.	Exports
1985	3.9	3.8	3.8	–0.1	6.0
1986	4.3	6.8	2.8	1.6	4.5
1987	4.8	5.8	10.7	1.0	5.8
1988	5.0	7.5	17.3	0.7	0.5
1989	2.2	3.2	3.6	1.4	4.7
1990	0.4	0.6	–7.4	2.5	5.0
1991	–2.0	–2.2	–12.3	2.6	–0.7
1992	–0.5	–0.1	1.6	–0.1	4.0
1993	2.3	2.6	2.7	0.3	3.3
1994	4.0	2.8	5.4	1.9	8.2
4th qtr.1994	4.2	2.4	8.6	1.6	8.8
1st qtr.1995	3.5	1.9	1.8	0.3	8.0
2nd qtr.1995	2.6	2.4	5.7	0.7	4.2
3rd qtr.1995	2.1	2.6	3.4	0.9	

Seasonally adjusted data used in all cases. GDP/GNP is broken down into private consumption expenditure, investment (the sum of gross fixed capital formation and the change in stocks), general government final consumption, and net exports (exports of goods and services minus imports of goods and services). The US includes investment by government in the government series rather than under investment. Quarterly GDP/GNP totals are annualised. The growth rates are the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The figures in the fifth column of each set of growth rates refer only to exports, rather than to net exports. Data supplied by Datastream and WEFA from national government sources.


GIORGIO ARMANI

NEWS: UK

British Rail arm set for sale to Racal

By Charles Batchelor and Alan Cane

Racal Electronics, the UK data communications, security and electronics group, is expected shortly to announce that it is acquiring British Rail Telecommunications for up to £150m ($231m).

Racal said yesterday it was close to agreement with the British Railways Board for the acquisition of the company. BRT has been up for sale since April this year when Swiss Bank Corporation, the group's finaocial advisers began looking worldwide for buyers.

BRT comprises a networking division with some 230 staff and a telecoms engineering division witb about 2,400 staff.

It is is reckoned to own the largest noo-military infrastructure in the UK outside the establisbed telecoms operators. Cable television companies, which have been investing beavily in their own infrastructure are among the disappointed bidders, it is understood.

The Racal statement came on the same day that BR announced tbe sale of one of its two signalling equipment suppliers, Signalling Control UK, to BTR, the industrial conglomerate, for £39.5m and reflected the increasing impetus of BR privatisation.

The managers of Signalling Control revealed last February that they bad decided against attempting a buy-out because of the uncertainties of the markets in which they were operating.

Companies ofteo have an advantage wben the business being sold requires a considerable capital lovestment or wbere It can be combined with existing operations to create benefits of scale which would not be available to a management team.

But in other areas of tbe railway business management/employee buy-outs have done well. Mebos appear set to sweep the board in the competitioo for control of the first three passenger train operating franchises which do not require much capital. Rolling stock is leased while track is "rented" from Railtrack.

Management teams are also the preferred bidders for both South West Trains and London, Tilbury and Southend, the two other franchises whicb are expected to be sold off before Christmas.

Buy-outs are normally financed by a mixture of funds from development capital companies and banks and, sometimes, from corporate backers.

Two of the rail teams have brought in corporate backers to give additional weight to their bids: managers from South West Trains bave teamed up with the Frencb utility Compagnie Générale des Eaux while Great Western have linked with FirstBus, a hus company, and 3i, the largest UK development capital group.

Management teams bave also been successful in bidding for Britisb Rail's catering division, OBS Services; QSS, a quality and safety consultancy; Red Star, its parcels operation; and one of the six heavy maintenance depots recently sold.

But because they are expected to require considerable investment tbe otber five maintenance depots went to corporate bidders. ABB, tbe Swiss-Swedish engineering group, won three of the depots while a consortium of Babcock International and Siemens acquired two.

Foreign corporate bidders used to operating in commercial rail markets can sometimes bring their skills to bear. Wisconsin Central Transportation, a US railroad involved mainly in freigbt shipments, emerged this week as the preferred bidder for Rail Express Systems, whicb operates the royal train and Royal Mail train services.

The passenger train operating franchises are only one section of tbe rail industry which is up for sale but they are the most high-profile part.

Inward investment 'The further south you go, the less well geared-up people are'

Affluent region is loser in fight for jobs

By Michael Cassell, Business Correspondent

"The complacency in the south-east beggars belief," saya Mr David Taylor, chief executive of English Partnerships, the economic regeneration agency for England. Mr Taylor's organisation is a central component in the national effort, much trumpeted by the government, to attract overseas investors to set up in the UK. With more than 860 new projects announced in the past two years – five Japanese investments alone accounting for more than £3bn ($4.62bn) – that effort is paying off.

Bnt Mr Taylor is worried thet the wave of inward investment bringing new jobs and restoring confidence to some of Britain's most economically depressed areas is in danger of hecoming geographically unhalanced.

A atring of announcements on multimillion pound investments by overseas investors – including Siemens, Fujitsu and Samsung – has helped push parts of the north-east high up the popularity league for UK husiness locations. Such has been the region's success that expressions of concern over shortages of skilled engineers have reached ministers' desks.

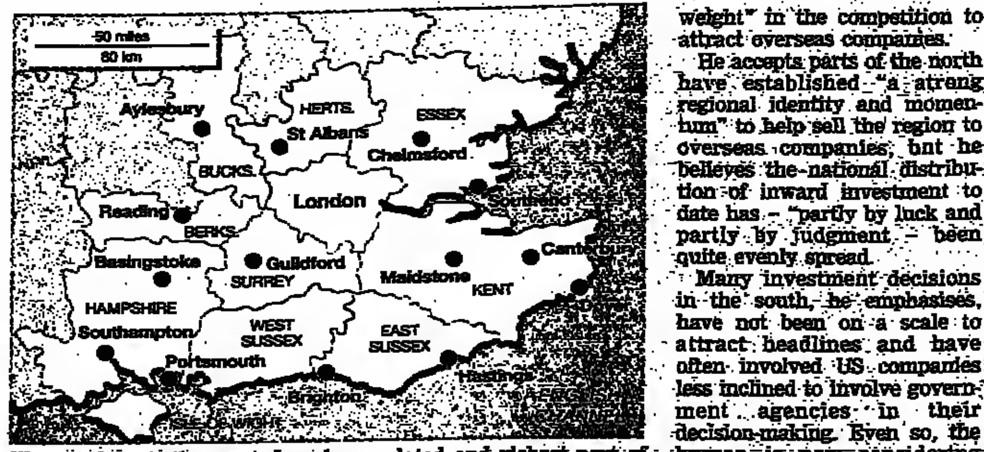
The north-east is not the sole beneficiary of tbe inward investment bonanza. Tbe north-west has notched up the largest regional total of inward capital projects, if not the biggest individual projects. Scotland, south Wales and, increasingly, Northern Ireland have also scored well publicised victories in the fight to win a share of the spoils.

The south-east, however, which in the 1980s made much of the running in attracting foraign Investment, has appeared increasingly in danger of being left behind as competition for new projects in the UK and across Europe becomes more intense.

"It is an interesting conundrum. The further south you go, the less well geared-up people are to deal with the challenge," claims Mr Taylor. In the north, local authorities and government act effectively together; tbere is a well connected, well oiled machine fuelled by more than a bit of local pride and passion. But in London and the south-east, people still don't have mnch of a clne."

Others are less critical. Mr Tim Eggar, industry minister, says the south-east has historically done well in attracting foreign investment, though he concedes it has not yet achieved the sama degree of co-operation and partnership evident in some regions. He believes the catching-np process is under way, but adds: "It takes a long time to get good at it."

The government decision in 1993 to make parts of London and pockets of south-east deprivation eligible for development area grants is helping the drive for inward investment, says Mr Jon Barrett, head of inward investment at Kent Enterprise, the county's economic regeneration unit. "Hundreds of millions of pounds from the government and the EU are now going into infrastructure in the region. It signals the start of a change in fortunes and we are just beginning to make things happen."



The south-east, the most densely-populated and richest part of England, appears to have lagged in its share of new projects

According to Mrs Jane Calvert-Lee, London regional director of the Confederation of British Industry: "The government never proposed London as an option to incoming manufacturers. Suitable land was simply not available and companies were only ever offered greenfield sites elsewhere."

But priority is now being given to attracting manufacturing industry to the capital. In July, the London First Centre – a private and public sector partnership formed to promote the capital in response to concerns that its international pre-eminence was under threat – launched a worldwide campaign to attract business.

Tbe organisation seeks to pcomote London's attractions over other international business centres. But it will also compete with the regions for investment, with the new emphasis on encouraging manufacturers, as well as financial institutions, to choose the capital. Newly promoted locations such as Park Royal in west London and Lee Valley in the east will offer the type of manufacturing sites previously hard to find in London.

Mr Andrew Fraser, chief executive of the Inward Investment Bureau, part of the Department of Trade and Industry, acknowledges the south-east has lacked the sort of cohesion which allows other regions "to punch above their weight" in the competition to attract overseas companies.

He accepts parts of the north have established "a atrong regional identity and momentum" to help sell the region to overseas companies; bnt he believes the national distribution of inward investment to date has – "partly by luck and partly by judgment – been quite evenly spread.

Many investment decisions in the south, he emphasises, have not been on a scale to attract headlines and have often involved US companies less inclined to involve government agencies in their decision-making. Even so, the bureau is now considering strengthening its resources in the east and south-east of the the country.

But the biggest challenge facing organisations such as the bureau and English Partnerships is to ensure that regional rivalries do not undermine the national effort to secure foraign investment. When Mercedes-Benz indicated in 1990 it might consider locating a new car plant in the UK, it was inundated with 120 UK bids – before opting for an existing Mercedes-Benz site.

Such counterproductive duplications of effort need to be eliminated and replaced by partnerships of national and local interests capable of winning the prizes. But the reality is that few people in the inward investment business can imagine the day when the movers and shakers on Teesside enthusiastically point the next big Japanese investor in the direction of the south-east.

Central bank warns of fraudulent certificates

By George Graham, Banking Correspondent

The Bank of England warned investors yesterday to beware of billions of dollars of fake certificates of deposit bearing its name.

The Bank said that it never issued certificates of deposit in its own name, although it sometimes processed them for customers. Any certificates that claimed to be backed by the Bank were fraudulent.

"Extreme caution should be exercised in dealing with any party seeking to transact business on the strength of them," the Bank said.

Certificates of deposit issued by commercial banks are widely circulated and traded. The fake certificates are typically used as collateral to persuade gullible investors to part with their money.

City of London police earlier this year seized 40 allegedly counterfeit Bank of England certificates of deposit with a face valua of £500m, and charged two men with conspiracy to defraud the clearing banks. The wave of fakes now concerning the Bank aims much higher; values are commonly over $1bn. The named depositors ara invariably well-known international politicians, presidents or royalty.

The fakes are denominated in US dollars and labelled "Obligation of Certificate". They include a string of bogus identification numbers purportedly issued by bodies such as the International Monetary Fund and the Bank for International Settlements.

They are usually accompanied by supporting documents of an "official looking nature", the Bank said.

All members of the Swift system, the international network through which banks transmit payment instructions to one another, have been alerted to the fake securities. The warning is being passed to other financial institutions through the British Bankers Association. The Bank warned that it had come across other fraudulent paper with a similar format issued in the names of other banks.

Investment research turns increasingly to London

By John Gapper, Banking Editor

Competition among investment banks that carry out researcb on large European companies for investors is likely to lead to a shake-out over the next few years, says a survey published yesterday.

The ranking of European large-company investment analysts fonnd that pan-European investment research is increasingly being carried out by investment banks from London. Tbe ranking was sponsored by Renters, the financial information company.

The study finds that no single broker has a market share of more than 4 per cent to 5 per cent in selling equities to fund managers. This is in contrast to the broking of UK shares, in which several have market shares of 10 per ceot.

The study, carried out by Tempest Consultants, finds that European companies rate analysts in London-based investment banks well ahead of local brokers. Research by US investment banks is especially bighly rated by companies.

Tbe study identified 1,900 analysts and specialist equity salespeople covering large European companies, with a total value of $1,800bn. There were 780 covering tbe 350 largest UK companies, with a total valne of $1,200bn.

Company finance directors preferred research by five investment banks – Morgan Stanley, Goldman Sachs, SBC Warburg, Merrill Lynch and James Capel. All of these provide European company research from beadquarters in London. The higbest rated pan-Enropean industry research team was the group of analysts covering tbe chemicals industry at Goldman Sachs, followed by the oil and gas team at NatWest Securities and tbe banks team at SBC Warburg.

Fund management companies rated SBC Warburg as providing the best pan-European research, with NatWest Securities in second place and Goldman Sachs third. SBC Warburg was also rated highest by both UK and US fund managers.

Mr John Kemp-Welch, chairman of the London Stock Exchange, said moves by broking firms to trade on mainland European exchanges rather than through the London exchange's Seaq international bulletin board were inevitable.

LEGAL NOTICES

NO. 006403 of 1995

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
BALTIC PLC
AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on 15 November 1995 presented to Her Majesty's High Court of Justice for (a) the sanctioning of a scheme of arrangement (the "Scheme") and (b) the confirmation of the cancellation of the entire share capital of the above-named Company which forms part of the Scheme.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 13th day of December 1995.

Any creditor or shareholder of the Company desiring to oppose the making of an Order for the confirmation of the said cancellation of capital should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same prior to the making of the Orders sought therein by the undermentioned solicitors on payment of the prescribed charge therefor.

Dated this 1st day of December 1995

NABARRO NATHANSON
50 Stratton Street
London W1X 6NX
Tel: 0171-493 9933
Ref: BA/ODT/B1545/107

هكذا من الأصل

Minister scorns alarm on 'mad cow disease'

By Clive Cookson, Science Editor

Mr Stephen Dorrell, chief health minister, insists that there is "no conceivable risk" from eating beef of developing Creutzfeldt-Jakob disease, the human equivalent of bovine spongiform encephalopathy (BSE) or "mad cow disease". But mainstream medical opinion is oot quite so sanguine.

Over tbe past month, the columns of the *British Medical Journal* and the *Lancet* have been filled with expert analysis of the possible link between BSE and Creutzfeldt-Jakob.

The common view is that prions – the bizarre particles of infectious protein believed to cause both diseases – could in principle pass from cattle to humans. There is no evidence that this has actually occurred but the possibility should be taken seriously.

The general pnblic was at greatest risk of consuming infected meat products between 1986, when BSE emerged, and 1989, when the government banned human consumption of beef offal and tissues most likely to contain prions. The muscles – eaten as steak, minced and stewing beef – are extremely unlikely to be infected.

The annual report of the government's Creutzfeldt-Jakob surveillance unit, published in October, showed a rise from 42 cases in 1993 to 55 last year – slightly above the previous peak of 51 in 1992. The unit attributes the apparent incidence in Creutzfeldt-Jakob to improved monitoring and diagnosis; there is a similar trend in other European countries which are free of BSE.

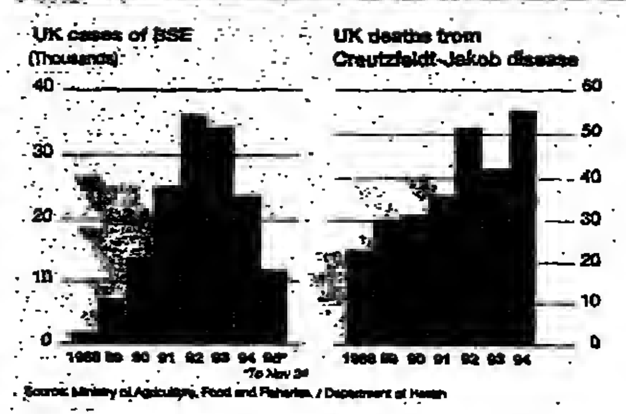
But there is a worrying exception to this generally reassuring statistical picture: four dairy or beef farmers and two teenagers have recently died of Creotzfeldt-Jakob disease in the UK.

Creotzfeldt-Jakob is normally a disease of middle and old age, so it is surprising that two teenagers should have been affected.

The disease is so rare that statisticians would expect to see at most one case every six years among UK farmers working with cattle.

The probability of four such cases occurring hy chance is less than one in 10,000, according to Dr Sheila Gore of the MRC Biostatistics Unit in Cambridge.

Taste of controversy



Source: Ministry of Agriculture, Food and Fisheries / Department of Health

Consumers appear unmoved by scare stories

Many consumers appear to have shrugged off the latest oegative publicity over beef and the cattle brain disease bovine spongiform encephalopathy (BSE), *Alison Maitland writes.*

Sales of beef dropped by 5 per cent in the four weeks to mid November compared with the same period a year before, the Meat and Livestock Commission said yesterday. Products containing beef, such as burgers and pies, were expected to show a similar fall.

The commission said the fall in sales was not as bad as it had feared.

The period coincided with news of a fourth cattle farmer suffering from Creutzfeldt-Jakob disease and a much-publicised television documentary on the subject. The programme highlighted scientists' concerns about the number of cattle with undiagnosed BSE entering the food chain.

At the height of tha consumer scare over BSE in 1990, beef sales in some areas fell by 20 per cent. But they recovered fairly rapidly to the level reached before the scare. Last year beef sales actually rose by 1 per cent.

Eradicating the disease is proving a long process. There are still between 300 and 350 confirmed new cases of BSE each week, although that is well down on 700 to 750 cases this time last year. At the peak of the disease in 1993, there were about 1,000 new cases a week. So far, 155,422 cattle have been affected.

But retailers say the weather has far more impact on sales than BSE, partly because consumers are inured to flare-ups in the BSE story. People tend to eat more beef when the weather turns cold, and in the run-up to Christmas. Both factors are likely to blur the BSE effect in sales statistics this month.

Supermarkets point out that there has been a long-term decline in beef consumption in favour of cheaper meats such as poultry, which are also seen as less fatty. Per capita beef consumption has fallen to 15.9 kg last year from 22.4 kg two decades ago.

Beef exports have shown a totally different trend. They are expected to be np 20 per cent this year to about 277,000 tonnes, after a similar rise last year, the MLC says. The important European Union market has been unaffected by BSE, except for Germany, where British sales have dropped from 9,000 tonnes in 1989 to just 200 tonnes last year.

Fujitsu's UK offshoot to open N American plant

By Peter Marsh in London

The manufacturing unit of ICL, the UK-based computer company owned by Fujitsn of Japan, intends to open a north American factory in tbe next 18 months. The move will be part of its plan to treble its annual sales by the year 2000.

The manufacturing division, called Design to Distribution (D2D) and operated as a separate business by ICL, is likely to have sales this year of $600m compared with $450m last year. Abont half of the revenues come from building computers and related electronic hardware for other parts of ICL. The rest comes from making products under contract to information technology businesses inclnding Sun Microsystems, Hewlett Packard, Madge Networks, Dell and Acorn, a UK offshoot of Olivetti.

D2D also makes retail terminals for Camelot, the consortium which runs Britain's National Lottery, and satellite dishes for Pace Micro Technology, a fast growing UK electronics business. Mr Alastair Kelly, managing director of D2D, said that, for the company's rapid growth to continue, it was important to have production bases outside Britain.

The American basa would probably be a joint venture or a deal based on taking over an existing factory; to save on capital costs. The company has talked to a number of potential partners in such a venture but is not divulging details. D2D expects to have annual sales of $2bn by the year 2000. Of the growth in sales roughly half will come from building up its operations in Europe, and the rest will come from having production bases in north America and the Far East – where the company also envisages having a factory hy the end of the century.

D2D wants to establish more of a foothold in making hardware for hig telecommunications equipment suppliers such as Motorola, Nokia and Ericsson. D2D says manufacturing operations for electronics are becoming increasingly specialised partly hecanse of the flexibility required to run production lines for goods that need to be npdated quickly.

Other groups in the contract electronics manufacturing business include SCI and Solectron of the US. Such companies believe IT businesses can find it cheaper and more efficient to concentrate on product design and sales and leave most of the production to outside groups.

UK NEWS DIGEST

Labour party aims to soothe cable groups

Mr Tony Blair, leader of the opposition Labour party, tried to assure cable company executives that he would not jeopardise their financial viability following his announcement that a Labour government would allow British Telecommunications to compete in the market for cabled entertainment services. He said at a private meeting with the largest cable operators, that BT would be allowed access to the market after 1998 only if it presented a detailed programme for the construction of a nation-wide "broad-band" cable network, the so-called information superhighway.

Mr Alan Bates, chief executive of Bell Cablemedia, the third largest cable operator in Britain, said there was a welcome realisation from Labour that the cable industry was an important player. Mr Bates expressed disquiet during the Labour party conference in October when Mr Blair announced his agreement with BT for regulatory freedom in return for building a national information superhighway.

Raymond Snoddy and Robert Peston

Exports from Scotland rose 23% last year

Exports from Scotland grew by 22.8 per cent at constant prices last year to reach a record £14.3bn ($22bn). Exports of office machinery and computers grew 30 per cent to £4.55bo, and exports of other electronic equipment rose from £1.19bo to £2.12bn. The electronics industry dwarfed whisky, for which sales outside Britain rose by £100m to £2.19bn. There was also stroog growth in chemicals and paper, a recovery in rubber and plastics but only modest growth in mechanical eogineering and textiles. France remains Scotland's biggest single export market, taking £2.34bn worth of goods, says the survey by the Scottish Council Development and Industry.

James Buxton, Edinburgh

Hardline Names urge 'managed run-off'

LLOYD'S LLOYD'S OF LONDON

Controversial proposals intended to protect the interests of Lloyd's of London Names by stopping the insurance market underwriting new business were floated yesterday by a group representing some of those worst hit by the market's losses. Putting Lloyd's into "managed run off" – servicing only existing policies – would increase pressure on policyholders to accept less than the full value of claims, the hardline Lloyd's Names Associations' Working Party suggested. Lloyd's said the proposals were "misleading" and that "rational debate is not assisted by arguments that fly in the face of evidence". It said that if Names defaulted on obligations, the British government would intervene, setting policyholders' rights as its first priority.

Ralph Atkins, Insurance Correspondent

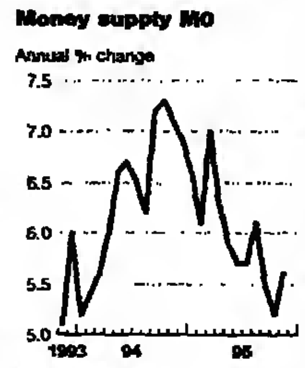
Profit at stock exchange declines sharply

The cost of rationalising its settlement systems ahead of the introduction of the new paperless Crest system left the London Stock Exchange's profits sharply lower in the first half of its year. Total income fell only slightly in the six months to September 30 to £94.3m ($145.2m) compared with £97.8m a year earlier. But the exchange's pre-tax surplus dropped by more than half to £10.3m (£21.7m) after it swallowed costs of £18.5m that will help pay for contiouiog rationalisation of its settlemeot systems. The exchange has already completed what it calls the "biggest transformation in share settlement in the UK in modern times". That occurred when it introduced five-day rolling settlement in June followed by dematerialised stock lending services in September.

Patrick Harverson, Financial Staff

Rate of money supply increase accelerates

Money supply M0



Source: Datastream

Hopes that consumer spending might be picking up were boosted after money supply data pointed to a stronger-than-expected expansion. M0, the narrowest measure of money supply, grew by a seasonally adjusted 0.7 per cent between October and November, and by 5.6 per cent in the year to November. This rate was faster than in the previous two months. Much of the increase was caused by a surge in the level of banks' operational deposits. Although these form part of the data, they are highly volatile and thus are usually discounted by economists. However, the growth also reflected a continued steady expansion in the level of notes and coins, which account for the rest of M0. These grew 0.5 per cent between October and November, and 5.7 per cent in the year to November.

Gillian Tett, Economics Correspondent

Swindlers jailed: Two men were jailed in London for an "ingenious" swindle in which more than 1,000 customers of cashpoint machines belonging to Abbey National Bank were robbed of thousands of pounds. The customers were secretly filmed as they keyed in personal identification numbers, and knowledge of the numbers enabled the men to withdraw money from the victims' accounts with bogus cards. The victims knew nothing until their account statements arrived.

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- the lodge
- freehold.

Offers are invited by 5pm on 15th December 1995. Preliminary details are obtainable from Graham Stenning and Andrew Payne at Coopers & Lybrand, Plumtree Court, London EC4A 4HT. Telephone: 0171 212 6428. Fax: 0171 212 6148., or Ben Allen at Humberts Leisure, 25 Grosvenor Street, London W1X 9FE. Telephone: 0171 629 6700. Fax: 0171 409 0475.

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- turnover £3m, majority export
- manufacture of linear tungsten halogen lamps, dichroic mirror lamps and studio and theatre lamps, (25,000 per day capacity)
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For further information please write to Graham Wollaff at Coopers & Lybrand, Charnwood Court, New Walk, Leicester LE1 6TE. Telephone 0116 285 3000. Fax 0116 285 3299.

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- Turnover approximately £5 million.
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- Blue chip client base.

For further information please contact: David Duggins or Gillian Bruce, Arthur Andersen, 1 Victoria Square, Birmingham B1 1BD.
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For further information please contact Chris Hill, Ernst & Young, 37 New Walk, Leicester LE1 6TU. Telephone: 0116 254 9818. Facsimile: 0116 255 1357.

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Fax (40-1) 615.65.50
Telex 11519 Petex R
Cable: Petrolexportimport S.A.

The crude oil grades, the yields per each crude oil grade, Romanian refinery(ies), the bidding documents and the qualification conditions can be obtained from PETROLEXPORTIMPORT S. - member of RAFIROM S.A.

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Mr D Prince
Department of Health and Social Services
Room 505
Dundonald House
Belfast BT4 3SF
Northern Ireland
Telephone (01232) 524354

Interested parties should respond as soon as possible. They will be sent further information on the portfolio and the method of sale, together with a questionnaire which must be completed and returned to the above address by 16.00 hrs. on 3 January 1996.

DHSS
Department of Health and Social Services

BUSINESSES FOR SALE

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LEGAL NOTICES

MAXWELL FINANCE JERSEY LIMITED ("MFJ") IN LIQUIDATION

CHF 125,000,000 5¾% Convertible Bonds 1989-1994 ("the Bonds")

NOTICE IS HEREBY GIVEN that a meeting of the creditors of MFJ pursuant to Article 170(1) Companies (Jersey) Law 1991 will be held at No. 1 Riding House Street, London W1A 3AS on 28 December 1995 at 10.00 am (or so soon thereafter as an Extraordinary General Meeting of MFJ convened for the same date shall have concluded or been adjourned) for the purpose of considering and if thought fit approving the following resolution:

"THAT Mr Peter James Yeldon, as Liquidator of MFJ, may, for the purpose of compromising all and any claims made by the holders of the Bonds (the "Bondholders") against MFJ, enter into an agreement (the "Settlement Agreement"), a draft of which is appended hereto and marked "A", between Maxwell Communication Corporation PLC ("MCC") (in Administration), Maxwell Communications International Ltd ("MCI") (in Liquidation) and the Bondholders."

Any creditor of MFJ who does not wish to attend the meeting personally may be entitled to vote by proxy. The instructions for voting by proxy and the proxy form are attached.

Subject to the approval of the aforementioned resolution the Liquidator of MFJ anticipates that the pre-conditions in the Settlement Agreement will be satisfied on or before 31 December 1995 (or as soon as practicable thereafter) so that the first distribution in the liquidation of MFJ may be paid on 1 February 1996. Payment of distributions will only be made against Distribution Coupons.

Bondholders should deliver the Bonds and present all Coupons appertaining thereto for stamping purposes to their respective deposit Bank or any branch of Swiss Banking Corporation ("SBC") in order to receive the first distribution. Any possible further distributions will be made only against delivery of stamped Coupons.

Failure to present the relevant Bonds or Coupons for payment within one year of 1 February 1996, or such other date, being a date after 1 February 1996, as the first distribution is made by the Liquidator of MFJ, will result in those Bonds or Coupons becoming void, with the result that the holder of those Bonds or Coupons will thereafter not be entitled to receive any distribution in respect thereof.

Peter James Yeldon
(Liquidator of MFJ)
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London W1A 3AS

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TECHNOLOGY

The artist's work viewed in a new light: a detail from Titian's 'Venus and Adonis' at the National Gallery of Art in Washington

Art of analysis

Scientific methods are being used to shed new light on old masterpieces, writes Victoria Griffith

Viewed through the eyes of the layman, Titian's painting of Venus and Adonis at the National Gallery of Art in Washington DC can sometimes appear to be a dull, if worthy, work of art. The foliage is a dull brown, the sky a turgid mud colour and there is little exciting in the interplay between the characters.

Yet with the help of scientific analysis, a connoisseur views the masterpiece in a completely different light. "I see the luminous green of the foliage, the drama of the bright blue sky and Adonis straining to go off to the hunt," says David Bull, chairman of paintings conservation at the gallery.

Bull's vision has been made possible by the use of scientific methods that help explain the original intentions of the artist. The sky, for instance, was originally painted with smalt, a cheap pigment widely used in the 16th century, and would once have been brilliant blue. Over time, the pigment deteriorated into its present dull state.

"This painting was so much more exciting when it was first completed," says Bull. "We can't change it back to the way it was, but at least we can learn to appreciate it more."

The improving use of technological methods to understand artists and their works has attracted heightened attention in the US recently through two large exhibitions. One is Rembrandt/Not Rembrandt at the Metropolitan Museum in New York until January. The other is the National Gallery's Vermeer show, which questions many long-held assumptions about the old master's paintings.

The awakening to the importance of technology in analysing old works of art is not limited to the halls of museums. Private collectors are also starting to pay more attention to art science.

"When people are investing a lot of money in something, they want to have some guarantee of its worth," says Max Bernheimer, head of antiquities for Christie's auction house in New York. "Science can't tell them everything, but it can help to single out some of the more obvious forgeries. As tha methods become cheaper and investors become more aware of what's available, they will use these technologies more."

Many investors see the small price they often pay for scientific analysis as well worthwhile. Dating is ona of tha most common methods used by collectors. For instance, X-rays used in conjunction with dendrochronology, which counts rings in wood, can often yield a fairly accurate date for an old wood panel work.

"If a painting is out of century, that has serious implications for its value," says Peter Sutton, senior director of old masters at Christie's. "Not least is the probability that it was not painted by the artist originally claimed."

Pigment analysis is the key to dating, attributing and understanding important works of art. Technological surveys of vast numbers of paintings, for instance, have yielded extensive information.

"We know that certain pigments were not used after certain dates," says Hubert von Sonnenberg, curator at the Metropolitan Museum of Art in New York. "That can help us place a work in a certain time period."

One test frequently ordered by buyers today is thermal luminescence, used to date ancient ceramics. When fired, ceramics and metals begin to absorb radiation. Thermal luminescence measures this radiation to come up with an approximate origination date. The process is relatively inexpensive – just $275 (£175) for a single piece of ceramic.

"A lot of dealers and investors do this pre-emptively, so if there's a question they can whip out the report and bave something to show," says Victor Bortolot, head of Bortolot Daybreak Corporation, a specialist in dating ceramics.

The first X-ray analysis of a painting was accomplished in 1925. Yet technological advances have made these procedures more valuable for art dissection than they once were. The increasing use of computers in art analysis, for instance, has proved a true boon. Most analyses are based on comparisons. Connoisseurs and scientists compare spatial relationships, pigment analysis and other information to a wida database to obtain information about the work of art.

"Computers do comparative analyses well," says Arthur Beal, director of scientific research at the Museum of Fine Arts in Boston. "They can measure information against enormous amounts of data in very little time. It's like fingerprinting – you can do the analysis manually but a computer certainly makes it easier."

Gathering methods are also improving. X-rays are being improved by filling in gaps temporarily with materials that absorb radiation at the same rate as wood: acrylic resin, metal foil or sugar, for instance. And art historians are making increasing use of a new method, audio-radiography, through which a painting is made slightly radioactive and photographed over a number of months.

Science is often myth-destroying, and its use in the art world is no exception. "Girl With a Pearl Earring" by Vermeer, for instance, is now believed to be a girl with a glass baubla. The assessment was made recently when it was discovered that a fragment of white paint had migrated from elsewhere in the painting to land somewhere under the young woman's ear.

Whole collections of ancient ceramics have been proved to be forgeries, and the number of known Rembrandts in tha world has been sliced in half through the use of scientific methods.

The art world is full of sceptics about the worth of scientific research. "There is no machine that will tell you for certain whether Rembrandt painted a work of art or not," says Scott Schaefer, senior vice-president of old masters at Sotheby's auction house in New York.

Yet with so much at stake, it seems that scientific art analysis is here to stay. "It is not magic box, but [technological methods] can tell you some important information," says Sutton. "At the very least they can rule out obvious forgeries. At best they can help people understand paintings in a way they bavan't before."

Anne Wilkinson on a firmer framework for vital international co-operation in science and technology

Plan for sharing the benefits of research

At the EU-US summit meeting in Madrid on Sunday, closer scientific and technological co-operation was identified as a priority. Science is under increasing pressure to solve global problems, especially in the fields of environment, bealth and communications, so this would be a popular move. But wide-ranging co-operation will depend on agreement about who owns the results, an issue on which the European Union and the US have not always seen eye to eye.

International co-operation in science and technology must be based on mutual interest and a balance of benefits. Negotiators normally look for a balanced package containing access for each party to the other's research capability and an equitable sharing of the results and market opportunities.

Economic constraints have focused the arithmetic of funding ever more directly on returns to national coffers in the form of new or increased market opportunities and revenues from product licences. Achieving a balance of benefits from intellectual property rights (IPR) is the key to a co-operation agreement.

EU guidelines on negotiating these agreements, drawn up in 1992, have been the basis for all tbe Commission's international negotiations in this field. They have also subtly influenced attitudes to international co-operation in Europe, in that they bave focused on the commercial aspects of co-operation. These must be balanced to create an environment in which mutual benefit in IPR can be achieved.

Above all a political instrument, a uniform negotiating position on IPR has to be flexible enough to address current and particular preoccupations as well as confirming the general approach of the external relations policy to which it contributes. It is pursued in a two-step process: first, the overall framework is agreed party to party, and then the details of ownership, licensing and exploitation are refined in technology management plans by the participants in each scientific project.

The general framework is concerned with striking a balance between protecting the interests of researchers and ensuring tbat results are exploited in a way that benefits the public. Participants from the EU in research that is partly EU-funded sign a contract that gives them the rights to the results. But they are bound as to their use by European laws. One aim of all international negotiation in this field is to ensure that third country participants in EU researcb accept tbe same constraints as European partners.

The principles are usually common ground. However, the details

Differences between the EU and US on intellectual property rights have undoubtedly inhibited scientific co-operation in recent years. But they have shown that they can also reach creative solutions

can be difficult to refine, not least because in the EU model, the IPR have to be agreed before funded work can commence. This is intended to avoid negotiation having to take place after IPR – and vested interests – have been created. But it means negotiators are working in the abstract, and can be distracted by principles not relevant to the negotiation.

Both the EU and the US are vulnerable to that risk: the US because of the trade context in which IPR is placed and which bas led to differences with the EU in the past, and the EU, because its negotiators are particularly constrained by institutional aspects.

Mutually agreed IPR rules are, of course, not a precondition for international co-operation in R&D: co-operation may and does take place on a project-by-project basis. The EU's Fourth Framework Programme allows third country researchers to participate (without funding) in 11 of the 20 specific programmes. But such participation is normally governed by the host institution's own terms, and varies as to the access that visiting researchers have to results.

Researchers and companies are often not in a strong position to negotiate better terms; this can lead to perceptions either of exploitation or of a "brain drain". That has been one of the most significant influences both on the US position on IPR, and on the way the multilateral programme in Intelligent Manufacturing Systems has developed. Originally conceived as a Japanese invitation for international participation in its domestic research programmes, IMS developed into a potential international co-operation following a three years of talks on IPR rules. European industry, whose position was based on the EU's IPR guidelines, played an important role in defining the rules.

On the problems that can be caused by fixed negotiating positions, these are points on which both sides tend to dig themselves in, and which would normally be soluble only as part of a broader political debate. That carries the risk of embroiling a generally non-contentious issue, such as science and technology co-operation, in wider disputes. Differences between the EU and US on IPR bave undoubtedly inhibited scientific co-operation in recent years. But they have shown thet they can also reach creative solutions. Examples are the negotiations with the US to renew the Euratom Framework Agreement, which took place earlier this year, and the agreement for joint research in nuclear safeguards in 1994.

There is a real prospect that within the foreseeable future the EU and US could have a common position in this area. That would open the door to significant, if unquantifiable, possibilities for developing science and technology internationally, as more and more areas of joint interest are characterised by global challenges and opportunities.

The author is a negotiator in the external relations directorate-general of the EC. The views expressed are her own.

INTERNATIONAL PEOPLE

Worldwide role for Lock at IBM

Greg Lock (left), who joined IBM 25 years ago as a system engineer in the UK, has been appointed IBM's worldwide general manager for manufacturing industries. In his oew role Lock, 48, will be responsible for IBM's worldwide business with customers in industries such as automotives, aerospace and electronics.

The creation of the post reflects the company's determination to respond to its customers in industries such as motor manufacturing, which operate oo a global basis. Lock says his first priority will be to ensure that IBM can respond to the complex requests of global manufacturing customers on a consistent basis.

Lock's career at IBM has included spells in the US as an adviser to former chairman John Opel, and in Paris. Following the company's reorganisation last year, Lock was made general manager for manufacturing industries in Europe – responsible for "a significant part" of the group's European revenues.

His latest appointment should help to damp down grumbles that senior jobs have been going to Americans and that Lou Gerstner, IBM's chairman, is pulling in the management reigns and re-centralising operations. *Paul Taylor*

Austrian to head Ciba

Ciba, the Swiss chemicals giant, will be headed by an Austrian as of next April, when Harmann Vodicka, 53, succeeds Heini Lippuner, 62, as executive committee chairman. Lippuner will, however, be elected to the board.

Vodicka is currently head of the group's polymer division, and has responsibility for the Ciba Vision and Mettler Toledo divisions. Born in 1942 in Vienna, where he obtained his doctorate in technical chemistry, he was 'acquired' by Ciba-Geigy in 1971 when the Basle-based group took over Deutsche Advance Produktion GmbH, which he had joined in 1968.

He subsequently held several marketing positions, and in 1986 he was appointed to the management committee of the group's Brazilian division in Sao Paulo.

In October 1988, he became head of the Mettler group, heading the subsidiary through the merger with the US company Toledo. Vodicka has been a member of the group's executive committee since November 1993. *Thierry Meyer*

Kunz goes to ITT

Heidi Kunz, treasurer of General Motors, bas heen appointed chief financial officer of ITT Industries, the manufacturing arm of the US conglomerate which is being broken up into three parts.

Kunz, 41, who has worked at GM for 16 years, is the highest ranking female at the US car giant and also one of its youngest senior executives. ITT Industries, which is composed of ITT Automotive, ITT Defense & Electronics and ITT Fluid Technology, has annual sales of over \$8bn and made operating profits of \$122m in its latest quarter.

Kunz, who was named a GM vice president in March 1994, described her move as "an opportunity to come in on the ground floor". In September, shareholders of ITT, one of America's best-known conglomerates, voted to split the company into three separate, publicly-traded entities, of which ITT Industries is one. The others are ITT Corporation (hotels and gaming) and ITT Hartford (insurance). She will start her new joh next week.

EU Commission moves

The French edifice in Brussels is shifting, with two of France'a most senior *fonctionnaires* at the European Commission moving into influential positions.

Robert Verrue is leaving the department responsible for relations with eastern Europe to head up the telecoms directorate general, where be will oversee the transition to full EU telecoms liberalisation in 1998. And François Lamoureux, the fiercely intellectual *chef de cabinet* to Edith Cresson, the research, education and training commissioner, is to become the number two at Verrue's old department.

The 48-year-old Verrue, described as a "charmer", is a graduate of both the College d'Europe at Bruges and France's international business school, Insead. He was an efficient director general under Dutch Commissioner Hans van den Broek, in charge of channelling EU funds to the former Soviet Union and eastern Europe, but was nevertheless eager to take over at telecoms.

Meanwhile, Lamoureux, a former member of Jacques Delors' entourage in Brussels, who had been lumbered under Cresson with white papers on education and training and a miserly research budget, could not wait to get close to the big-spending projects of the east European programmes. *Emma Tucker*

Bechtel: the family way

Riley Bechtel, 43 (left), is to take over as chairman of the family-owned Bechtel Group, one of the most sncccessful private companies in the world. Riley will be the fourth generation of the family to head the 97-year-old US construction giant which has annual revenues of \$7.9bn and has done everything from building the Alaskan pipeline to cleaning up Kuwait after the Gulf war.

The post of chairman has heen vacant since Riley'a father Stephen retired in 1990. Riley, who has been chief executive since 1990, will continue in that role. Meanwhile, Fred Gluck, 60, a former chief executive of management consultants McKinsey & Co, has been appointed vice chairman and Adrian Zaccaria, 51, has been named president and chief operating officer. The appointments take effect at the end of the year.

ON THE MOVE

■ Colin Barrow will leave the ED&F MAN GROUP, with effect from March 31. He bas been the Swiss-based managing director of Man Investment Products since 1990. Stanley Fink, currently group finance director, takes over.
■ Jack Crowley, a US national, has been appointed managing director of BETTERWARE UK. He joined the group in September after 18 years with Colgate Palmolive.
■ Josepb Tsui has been appointed general manager for HARRIS CORPORATION'S communications operations in the greater China region. Tsui, wbo will maintain offices in Hong Koog and Beijing, was chief executive of Tricom Holdings' Telecom Group.
■ Victoria Haynes, BF Goodricb's chief technical officer, has joined the board of THE LUBRIZOL CORPORATION.
■ Ernest Mario, chief executive of ALZA CORPORATION, has joined California Governor Pete Wilson's Governor's Council on Biotechnology.
■ James Schlagbeck, after 18 years at American Express Bank, has joined BANK JULIUS BAER And replaces David Bodner as manager of its New York branch from January 1. Balz Eggimann re-joins the branch as senior vice president and co-head of private banking.
■ Marvin Miller, 58, has been appointed chief executive of BAXTER HEALTHCARE CORPORATION'S Nextran unit. He was American Cyanamid's vice president of biotechnology licensing.
■ John Koehler has resigned as chief operating officer of California's TITAN CORPORATION to start his own consulting company. Koehler, who joined Titan in April, was previously president of Hughes Asia Pacific, the marketing arm of Hughes Electronics.
■ Carmel Peters, former chief investment officer at Rothschild Asset Management in the Asia Pacific region, joins WHEELOCK NATWEST in Hong Kong as managing director of Wheelock NatWest Investment Management.
■ Sir Robin Renwick, formerly UK ambassador to the US and South Africa, has become a director of Robert Fleming Holdings, Richemont Compagnie Financière and a Trustee of the Economist.
■ Peter Beynon has been appointed director of international operations at JARDINE INTERNATIONAL MOTOR HOLDINGS; Samuel Houston becomes finance director.
■ Klaus Diez, finance and accounting manager at HOECHST, succeeds Dieter Haas as management chairman at Hoechst Veterinaer at the beginning of 1996. Haas retires at the end of March.
■ Karel Boone, chairman of Belgian biscuit-maker CORONA-LOTUS, has been appointed chairman of the Federation of Belgian Companies for tha next three years. He replaces George Jacobs in April.
■ Briano Olivares has replaced Carlo Dinnella as general manager of YOUNG & RUBICAM ITALIA.
■ Daniel Richebraqne bas been appointed to run the mail order company VESTRO ITALIA, a subsidiary of the France's Pinault Printemps Redoute.
■ Willy Kissling is to step down as chairman of LANDIS UND GYR'S pension fund and will be replaced hy Helmut Straub, currently personnel director.
■ Thomas Carter resigns as senior vice president of the ALUMINIUM COMPANY OF AMERICA, with effect from January 1.
■ Trevor Jones has been elected to the newly created position of vice chairman of ECHLIN, a US motor vehicle parts manufacturer.
■ John Slosar, general manager, airline planning at Cathay Pacific Airways, has been appointed managing director of HONG KONG AIRCRAFT ENGINEERING. He replaces Andrew Herdman who will return to Cathay Pacific as general manager of Cathay Pacific Catering Services.
■ Georg-Hermann Sahler, LUFTHANSA'S regional manager for Austria, Slovakia, Switzerland and Liechtenstein, is to be Lufthansa's manager at Frankfurt airport. He will be replaced hy Sigrid Brunotte.
■ Perry Premdas replaces Klans Schmieder as treasurer of Hoechst Celanese Corporation, tha fifth largest chemical company in North America. Schmieder is returning to Hoechst in Germany. Premdas is currently general manager of the company's Enco printing products division.
■ Paul Combs has joined STEPHENS, the Arkansas investment banking firm, as director of research. He was previously director of research at Minneapolis's Daim Bosworth.
■ James Berry is to be vice president of international operations at CALIFORNIA'S PERSISTENCE SOFTWARE.
■ Bob Cushing is to be European marketing director of 3COM CORPORATION following its recent merger with Chipcom Corporation.
■ William Pietersen, former president of Sterling Winthrop, has been appointed a non-executive director of ALBERT FISHER'S North American board.
■ Poul Erik Guldborg, union branch chairman of DANISCO DISTILLERS, has resigned from the board.
■ Australia's James Hogan, 39, succeeds Robin Davies as vice president, marketing and sales at HERTZ EUROPE. Davies becomes vice president, strategic planning.
■ Safia Safwat joins WORLDSPACE CORPORATION as head of its AfriSpace regional regulatory department.
■ Peter Holt has resigned as a director of ZAPATA CORP following a disagreement over the company's strategy to move out of energy services and enter the food industry.
■ John Klein has been appointed chief executive of UK-based MCDONNELL INFORMATION SYSTEMS GROUP. Klein, a former IBM executive, joined the board in June.
■ Siegfried Kaske and Wolf-Dietrich Loose are replacing Hero Brahms and Juergen Maas on the group management board of KAUFHOF HOLDING with effect from January 1.
■ David Emmes, head of financial products for NATWEST MARKETS, has left the firm's Los Angeles office.
■ Charles Dempster has been named chairman and chief executive of UTILICORP UNITED UK, Utilicorp United's unit marketing gas in the UK. Dempster has been UtiliCorp United's senior vice president, energy resources for the past year.
■ Fernando Xavier Ferreira, former communications ministry executive secretary, has been appointed president of the state-owned Brazilian telecommunications company TELEBRAS.
■ Barry Murphy has been made chief executive officer of Australia's FEDERAL AIRPORTS CORPORATION.

International appointments

Please fax announcements of new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

LAW

Damages for state liability

EUROPEAN COURT

In the second opinion this year on member states' liabilitiea fnr breacbea of European law, advocate-general Giuseppe Tesauro said member states should pay damages to individuals wbo suffer harm as a result, but only where the hreach was manifest and serious.

The opinion was given in the Factortame litigation. In 1991 a British act of parliament to stop Spanish fishermen "quota-hopping" by registering their boats under the British flag was declared incompatible with European law by the European Court of Justice. The Spanish fishermen sought damages from the UK.

Given that it was unclear under European law whether damages could be awarded in such circumatances, the Engliah court referred the issue to Luxembourg.

As the principle of state liability was known in domestic law in all the EU member states, the advocate-general said it should also apply where the unlawful conduct consisted of an infringement of a European provision.

Mr Tesauro said the court had already ruled in the 1991 Francovich case that member states could be liahle in damages for failure to implement a directive. However, as advocate-general Philippe Léger had suggested in the Hedley Lomas case in the summer, state liability should not be confined to such situations.

He rejected arguments that the Francovich judgment sbould be restricted to its facts, on the basis that the right to compensation was only required when the European provision in question could not otherwise be relied on in the national courts.

As the principle of compensation was an inherent principle of EU law it should apply to any situation in which European law was infringed. Nor did it matter if the act or omission was attributable to the member state's legislative, rather than executive, arm.

Although in domestic law damages could not be awarded in such circumstances, there was no reason for European law to be thus constrained in light of the fact that the member states ohligations under the Treaty of Rome were directed to the creation of individuals' rights. Thus state liability arose in any case in which European law was infringed resulting in loss or damage.

The argument that domestic law should determine when such liability would arise was also rejected on the basis that it would not guarantee the full effective rights of individuals throughout the EU. It was thus for European law to determine the criteria for liability.

It was clear there had to be actual damage and a causal link between the damage and the unlawful breach of European law. Mr Tesauro said only where the breach was serious and manifest would the state be liable. However, that was not the same as the conditions required for EU institutions to be liable under European law for their unlawful acts. The decisive factor was the margin of discretion available to member states in relation to the particular European law breached.

States would in effect be strictly liable whenever they were obliged under European law to achieve a particular result, as a failure to achieve that result would be regarded as serious and manifest. Conversely, wbere there was a broad margin of discretion, states would only be liable where their conduct was virtually arbitrary.

As to when the obligation to pay damages arose, he suggested that when the provision breached conferred identifiable precise rights on individuals, the state's obligations to pay compensation would arise wben the harmful event occurred. When the individual's rights were less clear, the state's obligation would only arise after tbe situation had been clarified by the national or the European Court.

C-48/93: R v Secretary of State for Transport, ex parte Factortame, ECJ. Opinion, November 28 1995.

BRICK COURT CHAMBERS, BRUSSELS

ARTS

Pace Noel Coward, it is wonderful how potent "cheap" photos are. True art, after all, lies not in the intention – or we *would all* be artists – but in the result. And it is not by chance that so much of what wa now recognise as the very best of photography, from the first experiments to the latest techno-wizardry, has been the product of the workaday imperatives of magazine and newspaper reportage, or of fashion, theatre and cinema publicity.

James Abbe, who died in 1973 at the age of 90, was an American photographer whose varied career led him down all these avenues before he turned to broadcasting at the outbreak of the second world war. The rediscovery of his work as a photographer, which he just lived to see, coincided with the revival in the later 1960s of critical interest in early photography, and its reappraisal as a serious art-form.

Abbe had taken up photography as a boy and contributed to his local newspaper while still at school. In 1917 he moved from Virginia to New York, where, in working for such magazines as *Vanity Fair*, *Ladies Home Journal* and the *Saturday Evening Post*, he began to prosper on a wider stage. His magazine photography, particularly for *Vanity Fair*, led to portraiture and fashion and theatre work, which led in turn, inevitably, to Hollywood.

If we held in our collective mind's eye an image in black-and-white of the celebrity life of New York Stage and Hollywood Studio in the early 1920s, it would have been in large part the one that Abbe established by his camera. There they are, those pretty girls-next-door and glamorous elder sisters with their wispy frocks, curly hair and cupid lips, Mary Pickford and Marguerite Clarke, Lillian Gish and the young Mae West. And there too are Mack Sennett's line of *Bathing Beauties*, with their floral garlands and, to our eyes, rather dumpy legs, caught in a chilly breeze off the Pacific.

Soon he was off again on to Paris and London, and now it was a more sophisticated but still innocent image that he presented. Here are Mistinguett flaunting her famous legs at the *Moulin Rouge*, Josephine Baker at *la Revue Nègre*, the incomparable Dolly Sisters, all feathers and sequins, at the *Casino de Paris*. Backstage in London, with what refinement Dorothy Dickson – black hair, black tights, black tutu – leans against the scenery. How innocently two chorus girls at the *Folies Bergère*, wearing little more than a bunch of flowers, come down the stairs.

These are all scene-setting publicity shots, background photo-features, promotional portraits, and all done to a commission. Some are faintly ludicrous, some merely conventional, but even within such limitations they are all done well, all human, engaged and interested. The image of two actors perched high on barrels for a riding scene, with the crew waiting impatiently for the sun to come out, is truly funny. We are reminded that while so many of us can never take a good picture however hard we try, there are those like Abbe who can hardly take a bad one.

The Dolly Sisters, all feathers and sequins, at the Casino de Paris: by James Abbe, 1922

Potent photography

William Packer admires the work of James Abbe

The best of the portraits, jobbing portraits or studio stills that they are, stand with the best of their time. Lillian Gish in exquisite, pensive profile for *Broken Blossoms*; a fraught Bebe Daniels caught in dramatic chiaroscuro; Norma Talmadge, in *The Eternal Flame*, languid in her huge wicker chair; Anna Pavlova so elegantly cross-legged in her shoe-filled dressing-room; Valentino and Natasha Rambova in stark romantic silhouette; Tilly Losch; Theda Bara; Louise Brooks; Gloria Swanson; Sacha Guitry with Yvonne Printemps – the list is endless.

Abbe saw out his pictorial career with travel stories and photo-journalism. He went to Russia in 1927, where he photographed Stanislavsky at the Moscow Arts Theatre, and Eisenstein too. In 1929 he was in Mexico for the civil war, where he met Diego Rivera. In 1932 it was Moscow and Stalin; in 1933 Germany, Hitler and a Nuremburg rally; 1936 and the Spanish civil war.

His eye remained as clear as ever, and his pictorial judgment as acute. But the mood had changed, and this later material appears in the context of this otherwise admirable exhibition as but a coda and afterthought, which is hardly to do it justice. A fuller and more considered presentation of James Abbe in this his final aspect as a photographer is clearly needed.

The Lure of the Limelight – photographs by James Abbe: National Portrait Gallery, St Martin's Place WC2, until March 24. Sponsored by Kodak, Professional & Printing Imaging, and the Anglo-American Friends of the NPG.

Theatre/**David Murray**

Bracing 'barbarous comedy'

This is the last in Ramón del Valle-Inclán's sequence of "Barbarous Comedies", written between 1907 and 1922. At the tiny Gate Theatre we saw the earliest part, *Silverface*, last month; *Ballad of Wolves* arrives hard on its heels and proves just as entrancing and bracing an experience, again directed by David Farr.

I have not discovered how many plays should come between them: the translator David Johnston speaks of a "trilogy", but other authorities refer to "several" Valle-Inclán plays about Don Juan Manuel de Montenegro, the lusty Galician patriarch.

At any rate, seeing *Ballad of Wolves* without knowing that earlier chapter should incur no great loss, except the pleasure of having seen *Silverface* too.

Back then, we met Don Juan lording it over the countryside in general and competing with his pretty young son "Silverface" for Sabelita, the frail object of their simultaneous passions. In *Ballad* that is long past; the formidable father becomes a guilt-racked widower, and his four surviving sons are the amoral, rapacious "wolves" who circle him while he treads a wilful way towards his end. This involves a company of 20 (close to a record for the Gate, surely?) – all employed to excellent purpose, and set off to brilliant advantage by Farr's tirelessly alert staging.

As in *Silverface*, we have the sense of watching an intimate epic from the inside. The arena is minuscule, but mined with trapdoors; the walls around it and us conceal icons, alcoves, windows, vistas, secret passages. The "bare" space, as designed and lit by Angela Davies and Tanya Burns, becomes many vivid places in quick succession: inns, fishing villages, a chapel, even the nameless place where a lone horseman gallops in terror (*sound*: Seb Lee-Delisle) – and again puppets spring up unexpectedly to speak for the peasantry.

The fabric of the spectacle is nevertheless Valle-Inclán's text, as translated and "adapted" – how much? – by Johnston. It conjures up a whole Galician world, a late 19th-century throwback with its own mores, hierarchy and dry style, in which there is no longer any pretence of belief. Everybody's conversation switches moment-by-moment between lofty apophthegms, wise saws and sharp down-to-earth observations, often brutally funny. Imagine Schiller as rewritten by the Büchner of *Danton's Death* and *Wozzeck*, or by the young Brecht.

The story is always fascinating, and at its centre Donald Sumpter develops his portrait of Don Juan with grim affability. Only a few other characters from *Silverface* return here, but David Fishley's eerie "Fuso Negro" – a sort of Shakespearian fool – still dances on the edges of the action, and late in the play Tonia Chauvet's Sabelita makes a touching reappearance. Of the four wolfish brothers, impeccably feckless and vicious, the creepy-priestly one gets to deliver the final line, comically sour and practical, which punctures the culminating murder; Johnston's words here sound true as could be to Valle-Inclán's scathing style.

Music in London

War theme retreats on the South Bank

The business pages recently contained a surprise reversal for the London Philharmonic. Only months after Lord Young arrived on the orchestra's board and offered to soften the blow of the ejection of the management by securing private sector help, the white knight was himself unseated at Cable and Wireless.

Where this leaves the orchestra remains to be seen. Since Franz Welser-Möst's abrupt departure there has been no music director and now there is nobody in control of artistic management. To an outside observer the orchestra's finances also look shaky, to say the least: a month into the autumn season the London Philharmonic took the unprecedented step of cancelling half a dozen of its South Bank concerts "owing to financial restrictions".

One of them was to have been the opening concert in its mini-series "The Road Beyond", helpfully subtitled "Music commemorating the end of World War II" to make its purpose clear. Evidently Messiaen's huge *Turangalila-symphonie* looked too much for the accountants to bear. What they left was Welser-Möst conducting Britten's *War Requiem* and a pair of concerts with Mariss Jansons over the weekend.

The orchestra is fortunate to have conductors like these who are prepared to stand by it. Jansons, in particular, is in demand the world over from financially secure orchestras which can put on concerts that are guaranteed to happen. It is a measure of the London Philharmonic's resilience that he comes back and the players certainly gave their best for him, playing on both evenings with their highest degree of precision.

The second world war theme was taken up in Thursday's programme with a rare performance of Honegger's Third Symphony, composed in 1945 6. It is a strangely unsatisfying work, not joyous at all. The constituent parts – rhythm, timbre, structure – are well conceived, but they fail to add up to music of any palpable depth. After despatching that with éclat, Jansons went on to a dynamic performance of Mahler's First Symphony, too showy in the first two movements, but nicely macabre in the third and triumphant in the fourth. Every note had meaning, always the sign of a first-rate conductor.

His other concert, on Sunday, turned its attention less successfully to the 19th century. Mischa Maisky threw himself energetically into Schumann's Cello Concerto, aiming to make up with fervour what he lost in poise. The natural warmth of the German romantic style eluded him, as it did Jansons later in Brahms's Second Symphony. Too much there was heavily emphasised and brassy, intended to dazzle the ears rather than uplift the spirit, though the finale was undeniably exciting. The orchestra's hyper-brilliant playing was clearly what Jansons wanted.

One problem, though: amid this Schumann and Brahms, what had happened to the second world war? All we had was Schoenberg's 15-minute *A Survivor from Warsaw* – a grim war-time narration, but little more than a nod towards the theme. Perhaps it would be better to forget festivals for the moment and concentrate on balancing the books. The London Philharmonic has its own war to fight and being a survivor must be its first aim.

Richard Fairman

Concerts sponsored by Cable & Wireless and Pioneer.

Homage to Mahler

The Nash Ensemble continued its exploration of the music of Mahler and his circle, "Vienna and the Romantic Century", at the Wigmore Hall on Saturday with an intriguing chamber-version of *Das Lied von der Erde*, begun by Schoenberg quite soon after the work's appearance in 1909 and abandoned with only half the first song transcribed. It was not until the 1980s that Schoenberg's task was completed, with largely convincing results, by the German conductor Rainer Riehn.

Schoenberg's version was an act of homage to a revered master, designed to further Mahler's cause at a time when his current popularity could hardly have been predicted. *Das Lied* in its full orchestral garb hardly needs special pleading these days. But, even so, such arrangements can often reveal unexpected facets of a masterwork, clarifying, amplifying and occasionally challenging our understanding not only of the arrangee but, in the case of a composer of equal stature, of the arranger too.

It was clear, for instance, from Saturday's performance that Mahler needs a full orchestra even when his textures are stripped bare. Mahler is often admired for the chamber-like delicacy of much of his orchestration, such as when a mere handful of instruments weave their solitary lament across the denuded landscape of "Das Abschied". But it really needs the context of a full orchestra for the utter desolation of that final song to be fully captured.

Paradoxically, the arrangement sounded best when it needed to work the hardest. The opening "Das Trinklied vom Jammer der Erde" (the Schoenberg fragment) on five each of woodwind and strings with piano and harmonium beefing up the textures was every bit as thrilling and effortful as with full orchestra, even when the sound itself veered inevitably and uncertainly between the wheezing of an opera-house pit band and the smarmy kitschiness of a Palm Court orchestra. Elsewhere Riehn, with the help of two percussionists, achieved some convincing replications of Mahler's more exotic orchestral effects, not least in the *chinoiserie* of "Von der Jugend" and in the ominous gong strikes at the beginning of "Das Abschied".

Reduced forces certainly helped the soloists, the Austrian Herbert Lippert and the Prague-born Dagmar Pecková. Lippert, as befits a German speaker, made much of the text and sports an attractive lyric tenor which worked well in this music, highlighting the mellifluousness of Mahler's vocal writing even at its most straining. Pecková's German, however, ranged from the phonetically proper to the downright creative, robbing us of that extra edge of meaning for which even her gloriously rich, even mezzo could not quite compensate.

Both singers would have benefitted from more confident support from the ensemble. Ian Brown's conducting was functional rather than inspirational, unsure of larger perspectives and rarely achieving a fully expressive dynamic range, as was confirmed by a stiff, unsmiling and distended reading of Wagner's *Siegfried Idyll* in which even the Nash players seemed tentative. Too little rehearsal time, perhaps?

Antony Bye

INTERNATIONAL ARTS GUIDE

AMSTERDAM

AUCTION
Christies Amsterdam
Tel: 31-20-5755255
● Modern and Contemporary Art: including works by Johan Thorn Prikker, Piet Mondrian, Jan Sluyters, Pyke Koch, Karel Appel, Asger Jorn, Corneille, Constant and Lucebert. One of the sale's highlights is a *summer landscape* by Jan Toorop; 10.30am, 2pm & 7pm; Dec 6
CONCERT
Concertgebouw Tel: 31-20-5730573
● Julie Kaufmann: accompanied by pianist Irwin Gage, violinist Marijke van Kooten, cymbelist Michiel Weidner and Peter Luit on double bass. The soprano performs work by Kurtág and Schoenberg; 8.15pm; Dec 8

BARCELONA

CONCERT
Palau de la Música Catalana
Tel: 34-3-2681000
● Pinchas Zukerman and Marc Neikrug: the violinist and pianist perform works by Schubert, Bartók and Franck; 7pm; Dec 6

BERLIN

CONCERT
Konzerthaus
Tel: 49-30-203092100/01
● Berliner Symphoniker: with conductor Isaiah Jackson and pianist Ken Ara perform Wüsthoff's "Alt-England-Suite", Beethoven's "Piano Concerto No.3" and Tchaikovsky's "Symphony No.3"; 4pm; Dec 10
Philharmonie & Kammermusiksaal
Tel: 49-30-254880
● Mikhail Pletnev: the pianist performs works by Scarlatti, Brahms and Liszt; 8pm; Dec 7

BOSTON

CONCERT
New England Conservatory – Jordan Hall Tel: 1-617-262-1120
● Gunther Schuller 70th Birthday Celebration: the NEC Symphony Orchestra with conductor Richard Hoenich, guest conductor Gunther Schuller and pianist Veronica Jochum perform Schuller's "Piano Concerto No.2" and Mahler's "Symphony No.9"; 8pm; Dec 6

DUBLIN

OPERA & OPERETTA
Gaiety Theatre Tel: 353-1-6771717
● Faust: by Gounod. Conducted by Paul Ethuin and performed by the Dublin Grand Opera Society; 7.30pm; Dec 7, 9

GLASGOW

CONCERT
Glasgow Royal Concert Hall
Tel: 44-141-3326633
● BBC Scottish Symphony Orchestra 60th Anniversary Concert: with conductors Jerzy Maksymiuk and Martyn Brabbins, pianist Dmitri Alexeev and Evelyn Glennie on marimba. The orchestra perform works by Berlioz, Rachmaninov, Musgrave, Elgar and the world premiere of Iain Hamilton's "The Transit of Jupiter"; 7.30pm; Dec 7

HAMBURG

OPERA & OPERETTA
Hamburgische Staatsoper
Tel: 49-40-351721
● Hänsel und Gretel: by Humperdinck. Conducted by Rainer Mühlbach and performed by the Hamburgische Staatsoper. Soloists include Wolfgang Schöne, Yoko Kawahara-Stobinski and Renate Spingler; 7pm; Dec 7, 10 (also 3pm)

INNSBRUCK

EXHIBITION
Tiroler Landesmuseum Ferdinandeum Tel: 43-512-59489
● Zauber der Leinwand – 100 Jahre Film in Alt-Tirol; exhibition devoted to the film history of Tirol; from Dec 7 to Feb 4

LEIPZIG

CONCERT
Gewandhaus zu Leipzig
Tel: 49-341-12700
● Gewandhausorchester: with conductor Christoph von Dohnányi, violinist T. Timm and cellist J. Timm perform Brahms' "Concerto for Violin and Cello in A minor" and Stravinsky's "The Firebird"; 8pm; Dec 7, 8

LONDON

CONCERT
Barbican Hall Tel: 44-171-6388891
● English Chamber Orchestra: with conductor/pianist Christoph Eschenbach perform Stravinsky's "Pulcinella Suite", and Mozart's "Piano Concerto in A" and "Symphony No.38 (Prague)"; 8pm; Dec 9
Royal Festival Hall
Tel: 44-171-9604242
● The London Philharmonic: with conductor Franz Welser-Möst and pianist Peter Donohoe perform Mozart's "Symphony No.40", Bartók's "Piano Concerto No.3" and R. Strauss' "Metamorphosen"; 7.30pm; Dec 6
St. John's, Smith Square
Tel: 44-171-2221061
● London Musici: with conductor Mark Stephenson and dancers Kate Coyne, Rafel Bonachela and Steven Brett perform works by Tippett, Julian Anderson, Keith Burstein and Maxwell Davies; 7.30pm; Dec 6
Wigmore Hall Tel: 44-171-9352141
● Raphael Oleg and Barry Douglas: the violinist and pianist perform works by Poulenc, Elgar, Brahms and Beethoven; 8pm; Dec 6
OPERA & OPERETTA
London Coliseum
Tel: 44-171-6360111
● Il Barbiere di Siviglia: by Rossini. Conducted by Jane Glover and performed by the English National Opera. Soloists include Alan Opie, Jean Rigby and Charles Workman; 7.30pm; Dec 7, 9 (6.30pm)
Royal Opera House – Covent Garden Tel: 44-171-2401200
● Mathis der Maler: by Hindemith. Conducted by Esa-Pekka Salonen and performed by The Royal Opera. Soloists include Inga Nielsen, Christiane Oelze, Wolfgang Fassler and Robert Tear; 7pm; Dec 6

NEW YORK

CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● Juilliard Orchestra: with conductor Otto-Werner Mueller perform the overture to Gluck's "Iphigénie en Aulide", Berg's "Violin Concerto" and Prokofiev's "Symphony No.5"; 8pm; Dec 8
OPERA & OPERETTA
Metropolitan Opera House
Tel: 1-212-362-6000
● Mahagonny: by Weill. Conducted by James Levine and performed by the Metropolitan Opera. Soloists include Irene Stratas, Helga Dernesch and Kenneth Riegel; 8pm; Dec 6, 9 (1.30pm)
POP MUSIC
Carnegie Hall Tel: 1-212-247-7800
● The New York Pops: with conductor Skitch Henderson and The King's Singers; 8pm; Dec 8, 9

PARIS

CONCERT
Salle Pleyel Tel: 33-1 45 61 53 00
● Orchestre Philharmonique de Radio France: with conductor Marek Janowski and pianist Gerhard Oppitz perform Brahms' "Piano Concerto No.1" and Mendelssohn's "Symphony No.3"; 9pm; Dec 9
THEATRE
Comédie Française, Salle Richelieu Tel: 33-1 40 15 00 15
● Mille Francs de récompense: by Hugo. Directed by Jean-Paul Roussillon. The cast includes Simon Eine, Nicolas Silberg, Dominique Rozan and Catherine Ferran; 8.30pm; Dec 6

SAN FRANCISCO

OPERA & OPERETTA
War Memorial Opera House
Tel: 1-415-6216600
● Don Giovanni: by Mozart. Conducted by Donald Runnicles and performed by the San Francisco Opera. Soloists include Deborah Riedel, Daniela Dessí, William Shimell and John Mark Ainsley; 7.30pm; Dec 7

VIENNA

JAZZ & BLUES
Konzerthaus Tel: 43-1-7121211
● Dave Brubeck Quintet: with the Wiener Jeunesse-Chor, Das Kleine Orchester, soprano Francec Pappas and baritone Martin Winkler perform works by Dave Brubeck; 7.30pm; Dec 6
OPERA & OPERETTA
Wiener Staatsoper
Tel: 43-1-514442960
● Salome: by R. Strauss. Directed by Michael Schoenwandt and performed by the Wiener Staatsoper. Soloists include Anja Silja, Karen Huffstodt and Michael Pabst; 8pm; Dec 6

ZURICH

OPERA & OPERETTA
Opernhaus Zürich
Tel: 41-1-268 6666
● La Fille du Régiment: by Donizetti. Conducted by Marcello Panni and performed by the Oper Zürich; 7.30pm; Dec 7

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Europa · **Pedro Schwartz**

The price of work

The high level of unemployment in Spain has led to fears that it could prove a time bomb under the single currency

The large number of unemployed people in Spain is felt as a wound within the country and feared as a menace elsewhere. At the last count, according to statistics approved by Eurostat, the European Commission's statistics office, there were 3.6m jobless in a workforce of 15.7m: they amount to 22.7 per cent of the working population, and a fifth of them have been out of work for three years or more.

An increasing number of Spaniards are therefore voicing doubts about their capacity to compete. In Brussels and the rest of Europe, there are fears that Spanish unemployment – which makes for high deficits and encourages protectionist amotions – may prove to be a time bomb under the single currency and even the single market.

The first reaction to such a high rate of joblessness – double the EU average – is to declare it unbelievable. How can Spain be socially stable with unemployment never below 15 per cent in the last 20 years? There must be a mistake in the calculations.

The official figure of 22.7 per cent comes from Spain's working population survey, based on data from selected households and using methods approved by Eurostat. All those willing to work who have been employed for less than an hour during the previous week are classified as unemployed.

Other statistics give lower figures for unemployment. Those registering as unemployed at INEM, the National Institute for Employment, amount to 16.2 per cent of the working population. This must be nearer to reality, say the employers. They point to labour shortages, especially in construction, and an increasing number of immigrants in menial tasks.

In despair at such a wide discrepancy between registered unemployment and the figure based on the household survey, the authors of a thoughtful monograph published by Spain's official Economic and Social Council recommend measuring the number of the employed rather than the unemployed.

Even the working population survey says the number of employed people has increased by 350,000 in the last 12 months. The survey shows, incidentally, that the increased demand for labour is enticing women into the labour force and thus also increasing the number of registered unemployed – because they register as unemployed when looking for work. The situation in the Spanish labour market is clearly improving, in keeping with the upturn of the economic cycle in 1994.

Two other official statistics lead one to think that the number of the employed is somewhat larger than that uncovered by the survey. First, the number of people paying their social security contributions is more than 13.1m. Although there may be some double counting of those who have two jobs, this is a useful indicator. Second, according to the Spanish treasury there are 12m wage earners and professionals, excluding those in Navarre and the Basque country, deducting taxes monthly or quarterly from their income. Since the count excludes some 800,000 people working in those two autonomous territories, it gives a number for the employed nearer 13m than the 12.1m of the survey.

> The first reaction to such a high rate of joblessness – double the EU average – is to declare it unbelievable. How can Spain be socially stable?

Furthermore, an official survey of 1985 found that at least 8 per cent of people in work in Spain did not declare their employmant or pay social security contributions. Add the fraudsters registered as rural unemployed under special schemes in the south of Spain, and the proportion of the working population in the submerged economy is even larger.

If the working population survey's figure of 3.6m unemployed is reduced by the 1.3m reasonably assumed to be working in the black economy, and the number of those employed (including the fraudsters) is likewise increased from 13.1m to 14.4m, one arrives at a rate of unemployment of 15 per cent. However one measures joblessness in Spain, the rate is the highest in the EU. The next step is to ask why, and whether the situation could be changed.

There have been two bouts of labour shedding in Spain since the death of the dictator Franco. The first took place from 1975 to 1985 and coincided with the two oil crises that put Spain's energy-intensive industries in jeopardy. This was followed by a golden period of foreign investment with Spain's entry into the Common Market.

Then came a new reduction of employment in 1992-93, almost double the job losses during the oil crises: the Spanish economy was feeling the harsh winds of competition blowing from Europe, compounded by an artificially overvalued peseta in search of respectability for the European Monetary System.

One might hope that the Spanish economy is now in as good a shape as its British equivalent after the purges carried out by Margaret Thatcher, and that shedding labour has gone as far as it can. But this is far from certain. Apprenticeship, previously opposed by the unions because apprentices were not paid enough, has only recently been legalised again; and workers below 20 years old – half of whom are unemployed – are still not being trained sufficiently on the job. Many older workers stay in employment only because it would be so expensive to fire them.

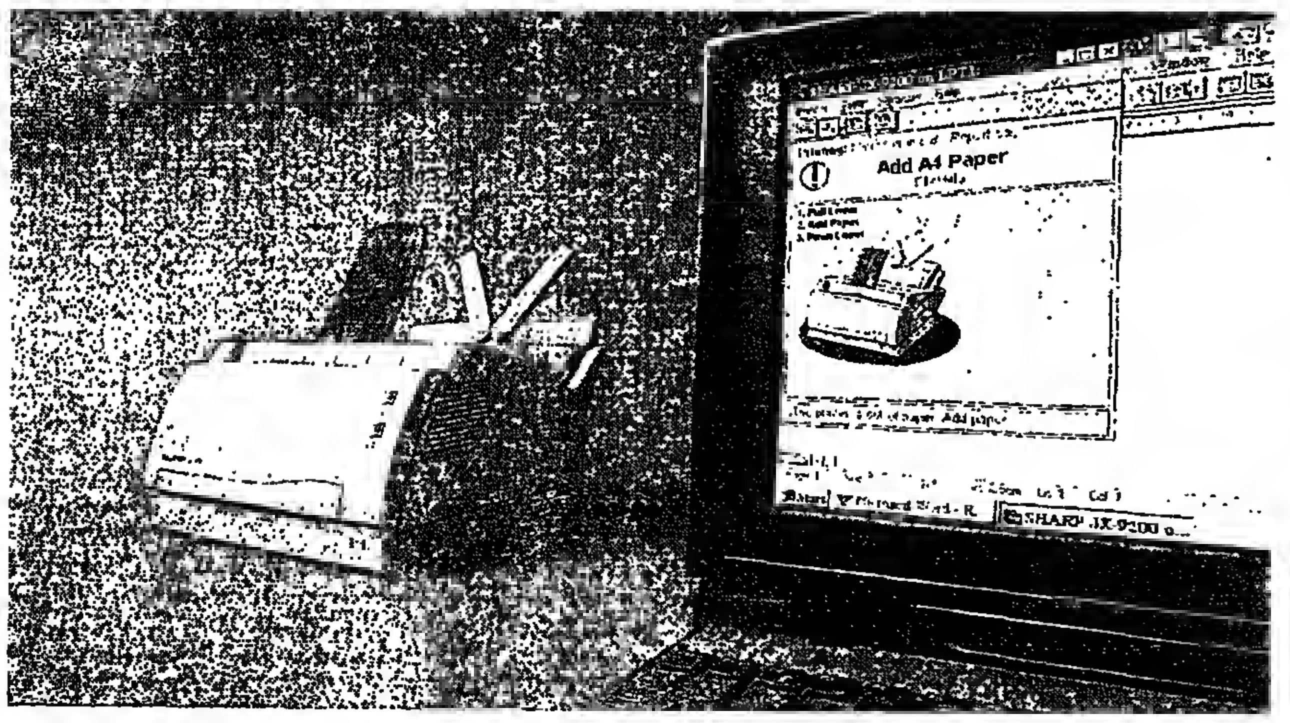
Hence, growth per se will not bring an end to unemployment rates in double digits. Wages must fall; wage differentials must widen; and generous unemployment benefits must not be an obstacle to entry in the labour market.

But it will be a tall order for any government to bring an end to the proverbial rigidity of the Spanish labour market. The Socialist government finally plucked up its courage in 1994 and partially reformed the existing labour laws: temporary employment was allowed to increase; employment agencies, previously a state monopoly, were legalised, although only on a non-profit basis; the cost of shedding labour in unavoidable circumstances was reduced; and workers could legally be moved from one task to another and from place to place, although only with union approval.

But most dismissals still cost the company 45 days' wages per year of employment. And the labour market is still split between the two thirds permanently employed and the one third with temporary jobs. Employers, in other words, keep workers they do not necessarily want, and do not necessarily hire the ones they do want because of the costs involved.

The opposition Popular party will have a tough assignment in dealing with unemployment if it reaches power at the next general election in March.

The author is chief economist at Fincorp AV, the Madrid stockbroker



·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

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Structural dilemma of an inner and outer EU

From Sir Roy Denman.

Sir, Discussion of the coming European summit in Madrid on December 15 risks missing one essential point. For when the summit turns to the intergovernmental conference on the future of the European Union, it will be addressing the wrong questions.

To imagine that the present group of 15 hopelessly disparate members will be able to come to meaningful conclusions is quite unrealistic. The UK government is paralysed by its Eurosceptics like a rabbit before a snake. Greece is an economic basket-case. The lira and the peseta are spurned by the Germans. In Sweden the public opinion polls show that they do not want even the present degree of integration, let alone anything closer.

The next significant step in the construction of Europe will have nothing to do with the intergovernmental conference. It will be the decision in two years' time by an inner core of member states, around France and Germany, to move ahead with economic and monetary union.

This will be as momentous and constructive a step as the Treaty of Rome in 1957.

Equally momentous will be the organisational implications. The present Commission will not be able constitutionally to service simultaneously an inner and an outer group.

Might not a new treaty be necessary between the members of the inner group, with a new small executive which would deal with economic union, foreign policy and defence? Would then the present Commission be left, like the Organisation for European Economic Co-operation in 1958, servicing what was essentially a loose free-trade arrangement? What would be the relation between the inner and the outer group, not just in monetary policy, but generally?

These are not agreeable questions for a country whose xenophobes are determined to place it in the outer tier. But Britain's continuing folly is no excuse for Europe not facing the real questions about its future.

Roy Denman,
194b Avenue de Tervuren,
1150 Brussels,
Belgium

Infuriating

From Mr Peter Christensen.

Sir, As a dedicated reader of the FT all of my adult life I am writing to note with alarm the unravelling of Joe Rogaly's *normal* cogent reasoning in his espousing a whingeing tolerance of American late-in-the-day intervention ("The president's magic", December 2/3). This has become an infuriating western mantra-like point of view.

As the Balkan inferno raged unchecked for years on western Europe's doorstep, with its concomitant slaughter of innocents, have we learnt nothing this century? The EU's short-memory diplomats gloriously dithered in hand-*wringing exercises* of inaction. Is this terror not going on in the garden of your neighbour?

As a Canadian living in the northern shadow of the US behemoth, I will certainly not engage in boosting the US, but I would respectfully suggest Mr Rogaly examine a little more closely the EU diplomats' unconscionable inactivity in this tragedy.

Peter Christensen,
474 Wilbrod Street,
Number 301,
Ottawa,
Canada

Little evidence of gold price weakness

From Mr H B Junz.

Sir, We would not agree with your Lex column (November 29) which appears to argue that, at least in the case of gold, everything that goes up must come down and then go down a bit further.

Quite the reverse: 1995 is shaping up as a banner year for demand for physical gold and this strength of demand certainly is a factor in the recent tightening of near-term gold liquidity.

In contrast with Lex, we consider demand in the Asian markets strong. True, third quarter year-over-year growth in south-east Asian markets was down: but this decline must be seen in relation to the strong third quarter a year ago and it came on top of five successive quarters of year-on-year growth of around 20 per cent. Accordingly, gold demand in south-east Asia in the first nine months of 1995 was ahead of 1994 by 11 per cent, surely a non-negligible amount!

Add to that the 30 per cent increase in gold demand in the largest market in the world, India, and it is difficult to agree with Lex that we are seeing a downturn in demand in Asia.

Further, experience does not show jewellery purchasers to be so price-sensitive that the latest price rally – $381 to $388 per ounce – would have much effect, especially as this remains smack in the middle of the $370-$395 per ounce range, within which the price has fluctuated since November 1993. In fact, the latest upswing in jewellery demand dates from the second quarter of 1994, when the price of gold had risen by around $10 per ounce from its end-1993 level.

Finally, it is difficult to argue about credit or discredit of inflation hedges in a disinflationary environment. Interestingly, a number of countries now battling inflationary trends, such as Turkey, Thailand and China, have seen small increases in gold demand following the emergence of inflationary pressures; though, in honesty, these also are counties with a high gold affinity.

H B Junz,
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UK

Switched on to a compelling audio tape

From Mr Cyril Aydon.

Sir, May I endorse Max Wilkinson's "motorway test" of audio tapes ("Poetry in motion", December 2); and his praise of Prunella Scales's reading of Jane Austen's *Emma*?

One winter night long ago, I drove from Oxfordshire to Barclays Bank's training centre in Ashdown Forest, and chose this tape as my companion. Not only could I not switch the tape off while driving; I could not do so on arrival, even though there were several chapters still to go, and I was faced with having to give an early morning lecture.

Like John Betjeman's subaltern, I sat in the car-park till twenty to one.

Cyril Aydon,
The Murroes,
South Newington,
Banbury,
Oxon OX15 4JQ, UK

Developing role for Islamic banks and financial institutions

From Dr Endre Stiansen.

Sir, Your Islamic banking survey (November 28) suggests that prohibition of *riba* is the raison d'être for Islamic banking and that *riba* generally is equated with interest. The focus on interest is misleading because the core of Islamic ethics on economics is the prohibition of exploitation. Hence the financial techniques developed by modern Islamic banks and Islamic financial institutions may be interest-free while not Islamic in a true sense.

Moreover, the definition of *murabaha* given in the glossary cannot be regarded as valid because, if followed, the resale would be risk-free for the investor. However, the example given by Mr Salameh is permissible because the Islamic bank (that is, the seller or investor) is exposed to risk. But it should be noted that most *murabaha* transactions are not desirable because the element of risk is in fact non-existent.

The articles gave an interesting picture of problems and perspectives but certain questions were not asked. For instance, if a country fully implements the principles of Islamic banking as commonly understood (*interest-free*), should there be a central bank and how should it operate, and what should an Islamic government do when or if it needs to finance a deficit? Other significant unresolved problems are how to encourage savings, how to channel funds into necessary but non-profitable ventures, and how to guard against moral hazard.

Finally, where does one draw the line between investments and speculation (*gharrar*) which also is illegitimate? Undoubtedly Islamic banking is here to stay and it is to be hoped that Islamic banks will use some of their funds to finance economic development in the poorer countries of the middle east, Asia and Africa. Indeed, maybe they can make a difference in development banking, where conventional banks have failed.

Endre Stiansen,
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David Lascelles on the link between central banks and derivatives

After the gold rush

Last week's liquidity crisis in the gold market, caused by a shortage of readily available metal, has highlighted a little-known but significant fact: central banks have become deeply involved in the business of lending gold to dealers to enable them to engage in speculative trading in gold derivatives.

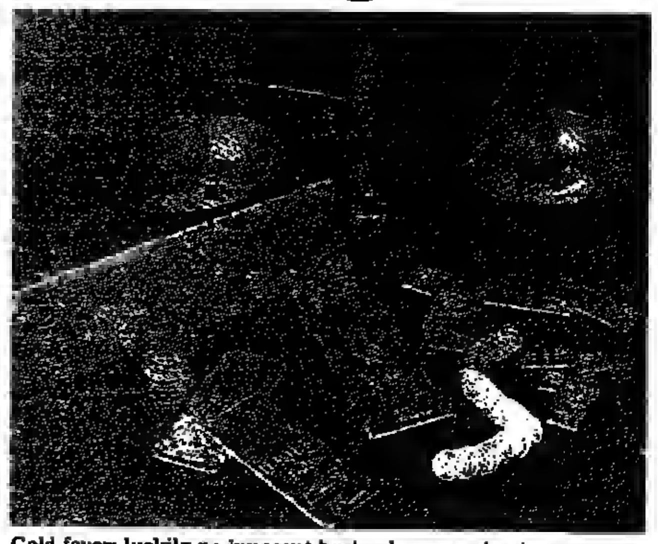
Furthermore, the Bank of England has a lucrative sideline in managing these lending activities on behalf of other central banks which are too wary to approach the market themselves.

To its credit, the Bank of England took the initiative in drawing wider attention to these activities. In a revealing speech to a recent London gold conference, Mr Terry Smeeton, the Bank's gold expert, said central bank activity in the market – once largely driven by monetary considerations – was now almost entirely focused on providing liquidity for derivatives trading.

The volume of central bank gold lent to the leading players in the London market for forward trading had more than doubled in the past 18 months, he said. There had been a similar growth in central bank involvement in the gold options market, though on a smaller scale.

Mr Smeeton did not give any hard figures, but gold analysts believe the amount of central bank gold "in play" is now about 2,500 tonnes.

The central banks provide the missing link in the gold forward market. When a gold producer wants to hedge its output, it locks in a price by selling its production forward to one of the bullion banks. They have to balance the purchase of the forward gold with the sale of real gold into the market, and they do this by borrowing gold until the newly mined metal arrives. So the bullion banks borrow it from the central banks in return for a fee known as the lease rate. Without this large supply of borrowed gold it is doubtful that the forward market could operate efficiently, if at all.



Gold fever: luckily no innocent bystanders were hurt

Is this a good thing? On the plus side, the extra liquidity unquestionably enhances the usefulness of the gold market to producers and users because it enlarges the capacity for hedging and creates greater certainty. As Mr Smeeton pointed out, the growth of central bank gold lending probably lay behind the increasing stability of the gold market over the past year or two. Central banks provide the ballast.

Back home, the central banks are also doing their masters a favour by putting idle gold reserves to work. They must have done quite well recently because the lease rate has shot up in response to the tightness of the market.

All this sounds fine. But it is not the whole story. The market was only stable until last week, when the crisis shed a different light on the ballast theory. The cause of the upheaval was the market's fear that central banks might be about to call in their gold loans to dress up their year-end balance sheets.

In other words, central bank lending actually became a major cause of instability: the *ballast had shifted*. This provoked a stampede of short covering which drove up prices and brought large losses to the bullion banks which are usually short of gold for immediate delivery.

It cannot be in any market's interest to develop such a heavy dependence on a commodity which is controlled by non-commercial considerations. One might also question whether it is even appropriate for central banks to risk their gold reserves in this way.

This is not the same as using foreign exchange reserves to influence currency movements, where a critical national interest is involved. The gold market is not crucial to currency management, nor to monetary policy.

Admittedly, central banks have always taken a proprietorial interest in the gold market. But these days, their involvemant looks more like favouritism: if gold gets help, why not silver, zinc and tin?

If central banks have a legitimate interest in preserving the value of their gold holdings, they would do best to withhold their gold from the market altogether.

A further question is whether it is even right for central banks – for reasons of prudence or morality – to facilitate speculation in gold by dealers, since that is essentially what they do when they take on forward contracts. I imagine that some people will be shocked to discover that respectable institutions are using national gold stocks in this way. Central banks should not try to stop people trading in derivatives. But given the well-known dangers of this area, should they actively encourage it?

Fortunately, no innocent bystanders got hurt in last week's shenanigans. But the episode should give pause for thought among central bankers. They may have felt they were doing the market – and themselves – a good turn by providing liquidity.

In reality, they were lulling the market into a false sense of security, with potentially costly consequences. It would have been the height of irony if central bankers had to bail out a bullion bank whose troubles they themselves had created.

هكذا من الأصل

COMMENT & ANALYSIS

FINANCIAL TIMES
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Tuesday December 5 1995

Il n'y a pas d'alternative

France is paying a high price for the divisions in its conservative majority which preceded this year's presidential election.

Edouard Balladur won popularity as prime minister by avoiding confrontation either with President Mitterrand or with the massive vested interests opposed to the public-sector reforms that France so badly needs. Jacques Chirac, forced to compete with Mr Balladur for the presidency, could only win back public support by resorting to shameless demagogy.

This obscured the basic conservative message, that the French state was living beyond its means and would have to be cut back by measures which were bound to mean sacrifices for many French citizens. Now faced with that unpalatable truth, the French are understandably angry, to the point where many, perhaps most, of them are prepared to support the strikes which are close to paralysing France's economy.

Undoubtedly Alain Juppé has made tactical errors in presenting his reforms to the French public. He and President Chirac took six months to decide their priorities, wasting what should have been the government's honeymoon. They lost Alain Madelin as economy minister – the one senior politician who consistently articulates a liberal economic strategy and who, moreover, understands the need for austerity to be accompanied by microeconomic reforms reducing the cost of labour.

Mr Juppé, an accomplished administrator but woefully lacking in charisma, has also failed to give clear signals about the extent of privatisation he plans, and his public warning that his government "would not survive" if 2m people were to take to the streets was quite bizarre. Seldom can a prime minister so literally have asked for trouble. Mr Chirac, meanwhile, has held somewhat aloof from the crisis, risking the impression that he considers his prime minister expendable.

Mr Juppé seems also to have chosen deliberately to confront all vested interests at once rather than pick off his opponents one by one (as Baroness Thatcher did in Britain in the 1980s). This apparently reckless strategy was presumably dictated by the electoral timetable. With parliamentary elections due in spring 1998, no more favourable moment for a confrontation than the present one is in prospect.

France is in for a rough few weeks, but they will be worth it if Mr Juppé is able to salvage the main items in his programme, exploiting the fact that neither the trade unions nor the Socialist opposition have any credible alternative to offer. Early elections would make no sense, and a referendum should not be necessary. What is needed is for the president to explain clearly to those who elected him why not all he promised can be delivered at once, and why the sacrifices now demanded are necessary not only to meet the Maastricht criteria but to increase the chances of greater prosperity in the future.

Road block

The vision of the great car economy, endorsed so enthusiastically by Margaret Thatcher, the former prime minister, has been abruptly and brutally erased. Spending on Britain's roads over the next 12 years is to be cut by one third – from £12.3bn to £8.4bn. According to figures released by the Department of Transport on Budget night, 77 schemes have been cut or scrapped.

This is a sharp acceleration of an existing trend. Against a background of public protests against new roads, the government has argued for a while that the motorway and trunk road network is almost complete, and that future programmes will focus on easing bottlenecks. But the size of the cuts, and the way in which they were announced, are questionable.

For a start, policy changes of such importance should not be hidden in the raw data of the public spending round, which is, by custom if not necessity, discussed in secret. Nor is it proper that Sir George Young, transport secretary, should justify the cuts as a response to opinions expressed in the transport debate which his department is now conducting, but which is only half completed.

In theory, opening up road building to the private sector and improving public transport could compensate for the cuts; indeed, they are attractive as part of long-term policy. Ministers claim to be doing both. Unfortunately, their attempts appear inadequate.

The Private Finance Initiative, which Sir George describes as "the centrepiece" of the roads programme, does not yet appear ready to bear the weight placed on it. The Budget announced a third tranche of 25 private road schemes, worth £500m. Nonetheless, that takes the total of private road finance to only £1.1bn, a quarter of the planned cuts. Moreover, the government's failure so far to announce the winning bidders for the first tranche hardly suggests that the initiative will have a rapid impact. In time, toll motorways may provide an escape from arbitrary Treasury cuts; but they could represent an economically costly transport policy, without national road pricing.

Sir George also says that his priority has been to protect funding for public transport. But total public transport spending, already low by international standards, is forecast to fall from £2.3bn in 1994-95 to £1.58bn in 1998-99. Although this fall partly reflects expected efficiencies from privatising rail, it will compound congestion arising from the roads cuts.

The impact of the cuts in the road programme and the steady squeeze on public transport will not be evident for years. That is why they are easy targets for cost cutters. Nonetheless, they threaten to deprive the UK of the infrastructure it needs if it is not to enter the next century clogged and congested.

Unidon't

The US government announced in Vienna yesterday that it is quitting the United Nations Industrial Development Organisation at the end of next year. That body has long been top of the hit list in Washington's threatened onslaught on UN institutions, so the decision is scarcely surprising. The question is rather whether the US move will have a salutary effect in forcing Unido to reform itself, or simply cause it to collapse in disarray and bitterness.

Unido was set up to promote industrial development in developing countries, to mediate between their governments and multinational corporations, and enable them to get the best possible deal from foreign investors. It worked most often with governments running command economies, and has long been regarded with healthy suspicion by western governments as a top-heavy, bureaucratic organisation, with a patchy track record in promoting worthwhile development.

Most of the command economies have disappeared, and most developing countries have established a wide range of industries. Moreover, industrial development is no longer regarded as a unique solution to economic development, to be treated in isolation. The organisation clearly needs radically to rethink its role.

A fairly drastic process of reform has been launched by the new director-general, Mexico's Mauricio de Maria y Campos, who has slimmed down the central bureaucracy from 1,200 staff to about 900, and brought in specialists to focus its work on practical projects. Its assistance to central and east European countries in adapting thair creaking state enterprises to the market economy has won praise in those countries. Its success in Africa has been less obvious.

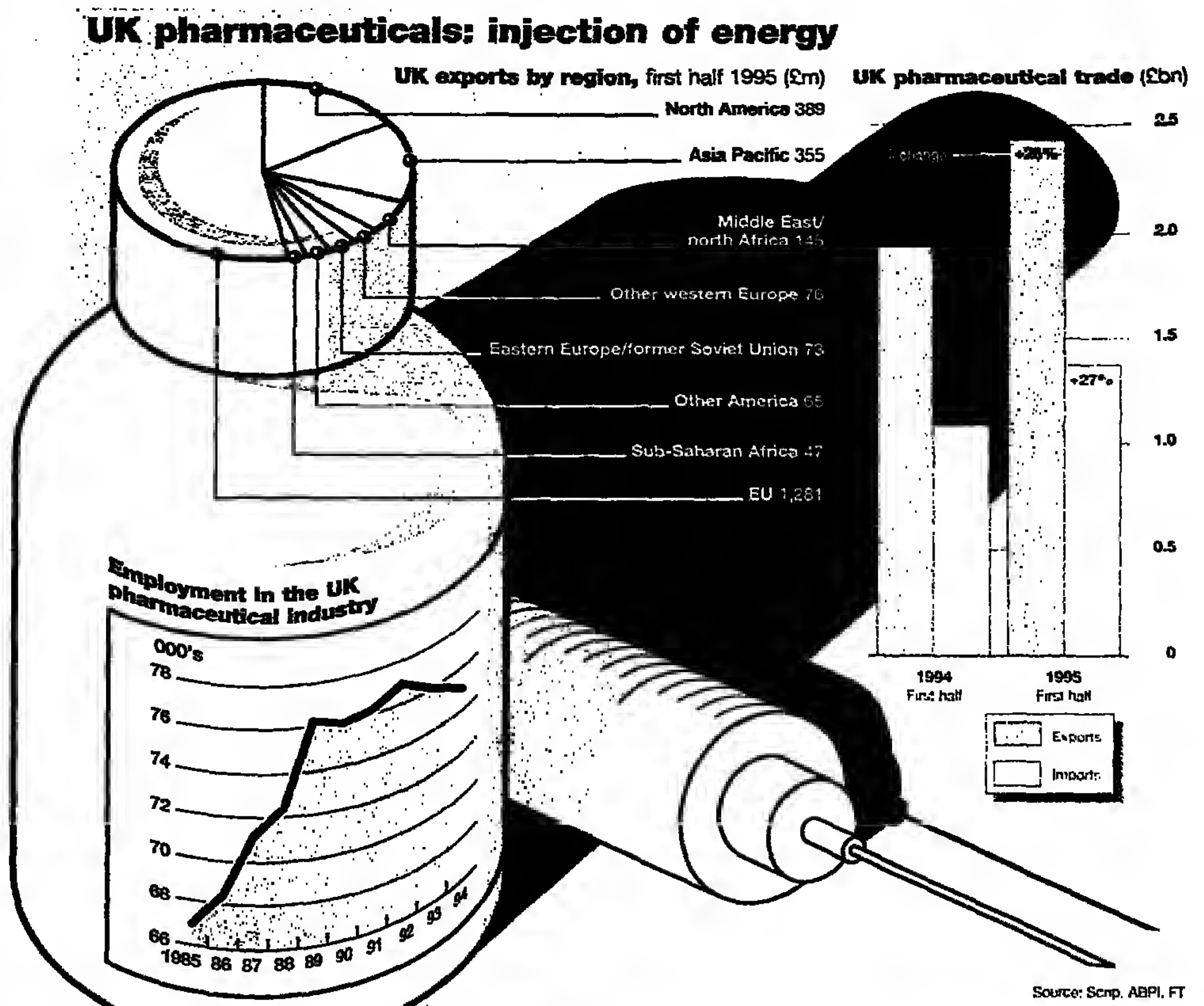
The US has now decided to quit while those reforms are still working their way through the system. It has done so with arrears in its own legally assessed budget contributions of some $99m still outstanding. That is unfortunate. It undermines Washington's valid criticisms of Unido's shortcomings, and the realisation that the reforms need to go much further. The European Union has, in contrast, decided to stay and judge by results in the course of the coming year.

That said, the US is right that the best outcome would be to close Unido down, and transfer its valuable functions to another UN agency. Such a move would give an important signal that UN bureaucracies are not eternal, but can be adapted to changing circumstances.

Washington's financial blackmail may not be a good way to conduct international relations. But it does give the remaining members a chance to take a long-overdue decision: identify the best bits, preserve them, and scrap the rest of the organisation.

A dose of strong medicine

Although pharmaceuticals groups have cut jobs in the wave of mergers and takeovers, the prognosis for the UK industry is good, says **Daniel Green**



Source: Scrip, ABPI, FT

The past year has been a period of unprecedented change for the UK pharmaceutical industry. The six companies that made medicines one of the UK's most successful industries have been reduced to three. The sector has been hit by a series of plant closures and job losses.

Yet shares in the UK's leading drugs companies tell a story of success: they have been among the best performers on the stock market, reaching a succession of new highs in recent months.

The developments have left employees, executives and investors struggling to discern the underlying direction of change. Are the days of UK pre-eminence in the European pharmaceuticals industry numbered? Or has the restructuring helped to strengthen the UK's position as Europe's most important pharmaceuticals centre?

Certainly there has been a decline in the number of UK world-class pharmaceuticals businesses. A year ago there were six: Glaxo, SmithKline Beecham, Zeneca, Wellcome, Fisons and Boots.

Several US companies, including Pfizer, Merck and Syntex, also had their biggest European research and manufacturing operations in the UK. Overall, the industry employed almost 75,000 in 1994, up almost 20 per cent from the mid-1970s, and contributed £1.7bn ($2.6bn) to the UK trade surplus, its seventh successive yearly rise.

But the structure of the business has been transformed by a series of deals:

- Boots ended 80 years of prescription medicine manufacture in November last year by agreeing to sell its drugs business to BASF of Germany for £850m.
- Wellcome succumbed to a £9.1bn hostile takeover bid from Glaxo in March.
- Fisons was taken over last month by Rhône-Poulenc Rorer, the US drugs company controlled by French chemicals group Rhône-Poulenc, after a contested £1.8bn bid battle.

These deals have led to a spate of job losses. BASF cut 250 people from the Boots businesses it bought. Glaxo Wellcome is cutting 1,700 UK jobs. RPR is expected to announce cuts in February following its takeover of Fisons.

Job cuts are also happening in companies not involved in takeovers. Bristol-Myers Squibb of the US closed a Merseyside plant earlier this year with the loss of 374 jobs. Hoechst Marion Roussel, the German-controlled US company, is expecting to cut a significant number of the 1,200 it employs in the UK over the next few months.

The changes in the UK reflect the restructuring of the global pharmaceuticals industry, which is under pressure to reduce costs. Governments in countries such as the US, Germany, France, the UK, Japan and Italy have been looking for cuts in their drugs bills to curb rising healthcare costs.

And US health insurers – egged on by the corporate clients which pay most insurance premiums – have been following suit. The "health maintenance organisations" they use to manage their costs have been forcing down prices by, for example, requiring doctors to use cheaper varieties of popular drugs.

The industry has responded by abandoning research programmes of doubtful value, merging salesforces and reducing the number of manufacturing and administrative sites. This has been accelerated by the wave of takeovers, which has created greater scope for rationalisation.

The effects have been felt in all countries with significant pharmaceuticals industries. In the US, for example, the industry added 10,000 jobs a year throughout the 1980s to reach 260,000 in 1993. Since then, the number of employees has remained static – even though sales have continued to rise strongly.

In Germany and Switzerland, the main centres of the drugs industry in continental Europe, strict labour laws make job cuts on a large scale difficult. But even in these two countries, the number of people in pharmaceuticals is drifting downwards: companies are simply leaving vacancies unfilled, executives say.

However, in the UK, some of the reduction in employment is being matched by the arrival of new businesses.

When Sweden's Pharmacia and Upjohn of the US announced their merger in August, for example, they said they would locate their headquarters in the neutral territory of London. And when Syntex, now owned by Switzerland's Roche, decided to abandon its drug development centre in Edinburgh, which employed 280 people, it found a buyer in US company Quintiles which specialises in conducting clinical trials.

Contract research of the sort carried out by Quintiles is a growing business as drugs companies increasingly farm out research work. In the early 1980s only 2,000 were employed in the UK in this way. Now the UK employs about 8,000 in pharmaceuticals contract research – 40 per cent of the European total, according to Technomark, a specialist consultancy.

Politicians and industrialists are quick to trumpet the importance to the UK of such gains. Mr Stephen Dorrell, health secretary, likes to quote Mr John Zabriskie, chairman of the merged company Pharmacia and Upjohn, who said: "London is the centre of the globe in terms of the pharmaceutical industry."

Sir Richard Sykes, chief executive of Glaxo Wellcome, now the world's biggest drugs company, says: "The industry will continue to be a great contributor to the balance of payments and I don't think there will be any further change downwards in pharmaceuticals industry employment of any significance."

His optimism is tempered with a determination to keep employment within the company down and move resources to external partners such as biotechnology companies.

"Ten years ago very little research paid for by us would have been carried on outside the company," he says. "Now that has changed. In principle there is nothing that cannot be farmed out although some things, such as toxicology testing, are easier than others."

The factors which made the UK industry so strong remain attractive:

- The cost of employing research scientists is lower. They are as good as scientists in France, Germany, Switzerland and the US, but employment costs there are up to twice those in the UK, according to Mr David Barnes, chief executive of Zeneca.
- Local investment is encouraged by the UK Pharmaceutical Price Regulation Scheme, the rules that have set the prices paid for drugs by the National Health Service since the 1950s. It allows drugs companies to make a return on capital of between 17 per cent and 21 per cent. Most of the rest of Europe sets prices for individual drugs after sometimes tortuous negotiations between government officials and drugs company executives.
- The growth of biotechnology companies has been encouraged by the UK's capital markets, in particular the stock exchange flotation rules, which are less onerous for new companies than in some other countries. The UK now has 8,000 people working in biotechnology companies, according to the Bio-Industry Association. The figure is rising by between 10 per cent and 15 per cent a year, it says.

The UK's attractiveness has increased further since February, when London became home of the European Medicines Evaluation Agency. An arm of the European Commission, the agency issues drugs licences for the EU, avoiding the need to apply in each of the 15 member states. Already Bayer, the German company, has moved its European regulatory office to the UK because of the agency, and others are likely to follow.

Unions with members in the industry believe that the loss of jobs will not be offset by the new arrivals – Bayer's office will employ about 30, for example. "Takeovers lead to rationalisation and we are expecting more takeovers," says Mr John Chowcat, assistant general secretary of MSF, the UK trade union with 15,000 members in the drugs sector. He believes that future growth in the industry will require more incentives for research and development.

But most industry executives are more optimistic. The UK dominates Europe in contract research and fast-growing smaller companies. New businesses are arriving to make up some of the reduction in employment. Britain is likely to remain at the heart of European drug research and manufacturing.

"It doesn't matter if the UK has three big companies or six smaller ones," says Mr Jan Leschly, SmithKline's chief executive. "All three are doing very well today compared with five years ago. It's very healthy."

OBSERVER

A bridge far too dear

■ We've all heard the one about the Americans carting off London Bridge to grace the shores of Lake Havasu, Arizona, when what they really wanted was Tower Bridge. Now it seems they didn't get London Bridge either; or at least, very little of it.

For down in the county of Devon, in south-west England, huge chunks of the old bridge have been uncovered sitting in a quarry acquired by Albrighton, a quarrying and stone products group.

A bit of research among some of the quarry's old retainers has disclosed that, back in 1971, the London landmark's new American owners were horrified at the cost of transporting the entire edifice across the Atlantic. They resorted to slicing off only a few inches of the 140-year-old stone to use as cladding on a concrete replica – leaving behind more than 1,000 blocks of the real thing.

Since then, nature has taken over and the stacked stones have been reduced to providing a useful refuge from the weather for local sheep. What to do with them now is the challenge facing Peter Woodman, who quit as managing director of brickmakers Ibstock in 1988 after falling out with his board colleagues before promptly setting about building up Albrighton.

The Merrivale granite quarry, between Princetown and Tavistock, happens to be on Duchy of Cornwall land. Woodman wonders if the Duke of Cornwall – aka the Prince of Wales – might want a few tons of stone to break down and sell as souvenirs in aid of one of his good causes. Now, who could he recruit for the stone-breaking gang...

Dear stalker

■ It's not been a great year for Siegfried Otto, 80, the majority owner of Giesecke & Devrient (G&D), one of the Bundesbank's main banknote printing contractors. First his much younger wife, Bambi, and he decide to get divorced. Now it's just emerged that he repaid DM100m in taxes two years ago, in what is thought to be one of the largest "late-payments" in German tax history.

He paid up under a legal device which guarantees immunity from prosecution, provided one comes clean on a tax debt before the tax authorities start an investigation.

No law appears to have been broken, but Otto's tax problem was pretty long-standing by his own account; he said it derived from 12 years of undeclared income earned from a Swiss company.

Otto's private dealings are, of course, separate from those of G&D, his Munich banknote printer of which he owns 93 per cent and which prints the banknotes of 60 countries. Though it hardly covers either him or his company in glory. It's believed that he does not have the contract to print notes for Ruritania.

Tres chic

■ Only one issue could knock politics from the number one news spot in strike-bound France yesterday – sport. At lunchtime Guy Drut, minister for youth and sport, announced the name given to the huge white elephant sports stadium being built just outside Paris to house 1998's football World Cup.

After an intense discussion of the possibilities – including numerous political figures, sportsmen and even colours – the collected wisdom of the 14 specially-selected jury members came up with the highly inventive "Le Stade de France".

Your time is up

■ We hesitate to mention it, but there's a politician who seems to be getting something right. It's Israel's prime minister, Shimon Peres. He has instructed his cabinet secretary, Shmuel Hollander, to place a timer – similar to those used by chess players – next to him on the conference table. Ministers are given five minutes to say whatever is on their mind.

This is an extremely sensible idea. It should be applied to all business meetings, seminars, international conferences – in fact wherever a group of self-important figures sit down to sound off. The savings would be enormous.

Of course Peres does not apply the timer to himself. "With the prime minister, it is unnecessary because he always keeps it short," says Hollander.

Stubbed out

■ Singapore's a tough place if you break the rules, as Nick Leeson is learning. But it's not just errant derivatives traders that earn black marks. Smokers aren't wanted, either.

Visitors flying in are warned not to light up in the airport terminals. A smoking ban already covers hospitals, clinics, department stores, bowling alleys, offices and factories. Now the no-puff zone has been extended to underpasses and, confusingly, queues of two or more persons in public areas. Singapore's ever vigilant press has been out on the streets, reporting shocking stories of wayward persons – mostly foreigners – flouting the ban.

Presumably if you want to smoke in a queue you should first take a few paces backwards, so you are in a line all of your own. Not that Observer encourages rule-busting...

The Financial Times

100 years ago

Railroad rumour scorned

The passage in President Cleveland's Message which refers to trade relations with Germany has been received with considerable satisfaction. But it is not surprising to find that in the Fatherland itself it has produced very different feelings. In order to please the agriculturalists Germany has placed restrictions on the import of American food products. It is now feared that the expression of opinion by the President may lead to a diminution of the exports from Germany to the United States. Although we are not disposed to rejoice in the misfortunes of our neighbours, yet Germany is so keen and occasionally so unscrupulous a competitor that we cannot but feel some satisfaction when the engine of protection, of which she makes so much use, is employed against her.

50 years ago

Car contract for Australia

The Austin Motor Company has announced that one of Australia's largest body-building plants is to be used for the building and finishing of Austin car bodies. Under an agreement with Ruskin Motor Bodies of West Melbourne, Victoria, the Australian firm will supply bodies to the principal Austin distributors throughout Australia.

FINANCIAL TIMES

Tuesday December 5 1995

Paris and Washington in disagreement over name of peace treaty

US-Franco rivalry on Bosnia deal

By Lionel Barber and Bruce Clark in Brussels

Western governments will today start fine-tuning their plans to impose peace in Bosnia amid growing signs of Franco-US rivalry over who should take credit for the agreement.

France insisted yesterday that a forthcoming treaty to end nearly four years of war in Bosnia would be known as the Elysée Treaty, after the French presidential palace, and not the Dayton accord, after the Ohio city where the deal was negotiated.

Mr Hervé de Charette, the French foreign minister, also insisted that the conference in Paris set for December 14 would do substantial diplomatic business as well as providing a setting for the deal to be formally signed.

The French insistence on maximum fanfare for the Paris conference highlighted more substantial differences over the proposed peace-keeping effort in Bosnia, especially over the degree of civilian control to which US commanders would be subject.

Mr Warren Christopher, the US secretary of state, is expected to insist at a meeting of Nato foreign and defence ministers today that the US generals in charge of the 60,000-strong peace implementation force should have maximum freedom of action.

However, Mr de Charette insisted yesterday that it was still an open question how much authority would be enjoyed by the civilian political adviser or advisers who will work with General George Joulwan, the Nato commander in Europe.

France has been pressing for the civilian advisers to have broad terms of reference and the right to appeal directly to Nato ambassadors in Brussels.

On another sensitive issue, Mr de Charette said it was vital that tens of thousands of Serbs in the suburbs of Sarajevo receive guarantees of safety when they are transferred to the authority of Bosnia's Moslem-led government. Bosnian Serb leaders in Sarajevo said yesterday they would hold a referendum on December 12 on whether to accept the treaty.

Both Mr de Charette and Mr Carl Bildt, the European Union mediator, said it was essential the Serbs be assured that their lives and property would not be in danger. The US is expected to react warily to any arrangements for the Serbs which could be interpreted as a revision of the accords negotiated in Dayton last month. France also insisted successfully that a conference on reconstruction in Bosnia, scheduled by the European Commission for this month, be downgraded to a preliminary consultation between experts.

Both France and Britain agreed that more time was needed before a full-scale donors' conference can usefully be held.

Some of the first soldiers to Nato's 60,000-strong Bosnia deployment arrive at Sarajevo airport Picture: Reuter

Doubts grow over Slavonia deal, Page 2

SE Asian contest for $1bn motor plant

By Edward Luce in Manila and Ted Bardacke in Bangkok

The Philippines and Thailand are vying to win a $1bn investment from General Motors, which is seeking to establish a south-east Asian production facility.

Company officials confirmed that the US vehicle maker was planning to set up an assembly and parts manufacturing site and had narrowed its choice to Thailand or the Philippines.

The Detroit-based company is sending a team of executives to the Philippines next week to look at several special economic zones, including the Subic Bay free port, the former US naval base, as possible sites.

A similar trip to Thailand was made in October, after the car company eliminated Indonesia, Malaysia and Vietnam as possible sites.

Mr Rolando Navarro, the Philippine secretary for trade and industry, said his government would submit a generous incentive package – including free use of land for between three and five years, exemption from property tax and various duty and tax holidays – at the end of GM's visit.

The package, to be settled by a committee of senior ministers, would include pledges to improve road and port facilities and provisions for subsidised labour training, he said. Mr Navarro said this was the first time the country had offered rent-free land use to a foreign company.

Manila says it will also draw attention to its English-speaking workforce and rapidly growing car market – sales have grown almost 30 per cent this year. It estimates that the investment would create 2,500 direct jobs and more than 30,000 indirectly.

Both the Thai and Philippine markets are dominated by Japanese car companies. Many have already chosen Thailand, where the vehicle market is also growing at about 20 per cent annually, as their centre for export and parts operations in the region.

US companies have entered the region through Thailand. Chrysler began production of Jeep Cherokees this year and Ford plans to produce 120,000 pick-up trucks in Thailand by 1998.

Thai officials are offering GM an "aggressive" package to win the project – including tax incentives and flexibility on foreign ownership limits – but see the country's advantages for car production as the biggest attraction.

Among those advantages are the largest car market in south-east Asia, with 450,000 vehicles sold in 1994, compared with 103,000 in the Philippines. Thailand's vehicle market will top 850,000 units in 2000, compared to 275,000 in the Philippines, according to the consulting group Automotive Resources Asia.

GM executives have expressed worries that, with so many carmakers, the Thai market may be saturated and its infrastructure strained.

Dutchman to chair Philips

Continued from Page 1

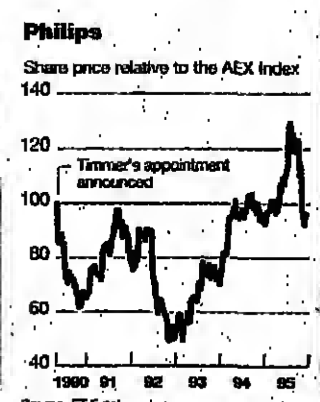
were underlined in February when he was relieved of day-to-day management at the lighting division to assume special responsibility for expanding Philips' presence in Asia.

Under Mr Timmer, Philips has set itself the ambitious goal of generating 25 per cent of its annual sales in Asia by the end of 1998. In 1994, Asia accounted for 15 per cent of group sales of Fl 61bn ($38bn). Philips declined to explain why Mr Boonstra was chosen to succeed Mr Timmer, apart from saying "he was the best available man for the job".

However, his strengths are believed to be his business background in Europe, the US and Asia and his experience of brand-building and marketing.

On his retirement, Mr Timmer will become a member of the supervisory board. The appointments must be approved by the annual shareholders' meeting on March 25.

Jan Timmer



Source: FT Extel

Cornelius Boonstra

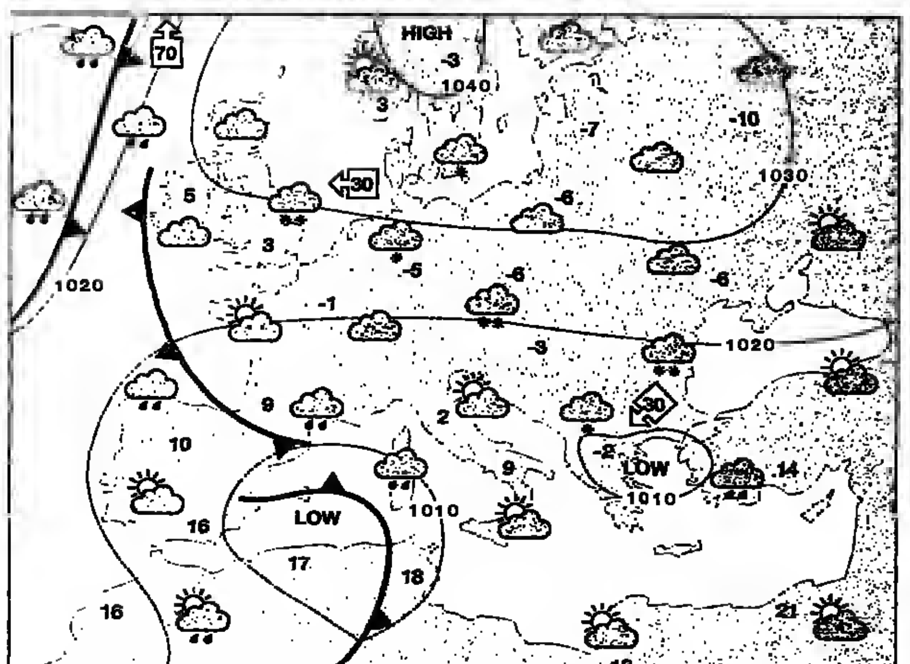
FT WEATHER GUIDE

Europe today

Cold air from Russia will move towards Germany and the low countries. It will be cloudy with light snow and afternoon temperatures below freezing. Poland, the Czech Republic and Russia will also be cloudy, but will stay dry. France and the UK will be cloudy with some sunny spells. Temperatures in eastern France will remain below freezing. Low pressure will produce cloud, rain and thunder in western Spain, the Balearics and Sardinia. Another area of low pressure over the Black Sea will result in cloud and snow from eastern Austria, across Romania, to Turkey.

Five-day forecast

High pressure over Scandinavia will produce cold easterly winds in the low countries and Germany, where temperatures will remain below freezing. It will be cloudy, but mainly dry. The UK will also have cloudy conditions with occasional showers. A series of low pressure systems will cross the Mediterranean resulting in cloud and rain in southern Europe. South-east Europe and Turkey will continue unsettled.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius	
Abu Dhabi	sun	31
Accra	shower	31
Algiers	thund	13
Amsterdam	snow	-3
Athens	fair	16
Atlanta	fair	16
B. Aires	sun	31
B.ham	cloudy	3
Bangkok	fair	32
Barcelona	rain	13
Beijing	cloudy	0
Belfast	cloudy	5
Belgrade	snow	-1
Berlin	cloudy	-7
Bermuda	fair	23
Bogota	rain	19
Bombay	sun	32
Brussels	snow	-5
Budapest	snow	-1
C.hagen	cloudy	-2
Cairo	fair	22
Cape Town	fair	24
Caracas	fair	30
Cardiff	cloudy	4
Casablanca	shower	17
Chicago	fair	6
Cologne	cloudy	-6
Dakar	fair	27
Dallas	fair	21
Delhi	sun	24
Dubai	fair	29
Dublin	cloudy	5
Dubrovnik	rain	9
Edinburgh	cloudy	5
Faro	fair	17
Frankfurt	snow	-4
Geneva	cloudy	-1
Gibraltar	fair	16
Glasgow	cloudy	5
Hamburg	cloudy	-5
Helsinki	cloudy	-5
Hong Kong	fair	22
Honolulu	fair	29
Istanbul	rain	13
Jakarta	fair	30
Jersey	rain	5
Karachi	sun	29
Kuwait	rain	14
L. Angeles	sun	21
Las Palmas	shower	22
Lima	fair	23
Lisbon	fair	14
London	cloudy	3
Lux.bourg	cloudy	-6
Lyon	cloudy	-2
Madeira	shower	20
Madrid	cloudy	10
Majorca	rain	13
Malta	rain	16
Manchester	cloudy	4
Manila	shower	30
Melbourne	shower	14
Mexico City	fair	24
Miami	sun	26
Milan	cloudy	4
Montreal	snow	-5
Moscow	cloudy	-9
Munich	cloudy	-6
Nairobi	fair	24
Naples	fair	10
Nassau	fair	27
New York	cloudy	8
Nice	cloudy	10
Nicosia	fair	17
Oslo	cloudy	-2
Paris	cloudy	-1
Perth	sun	31
Prague	snow	-6
Rangoon	sun	32
Reykjavik	rain	6
Rio	thund	28
Rome	fair	10
S. Frsco	fair	15
Seoul	fair	2
Singapore	shower	31
Stockholm	cloudy	-3
Strasbourg	snow	-2
Sydney	thund	27
Tangier	shower	15
Tel Aviv	shower	20
Tokyo	fair	12
Toronto	rain	3
Vancouver	fair	4
Venice	cloudy	6
Vienna	snow	-3
Warsaw	cloudy	-6
Washington	fair	8
Wellington	fair	19
Winnipeg	snow	-13
Zurich	snow	-3

THE LEX COLUMN

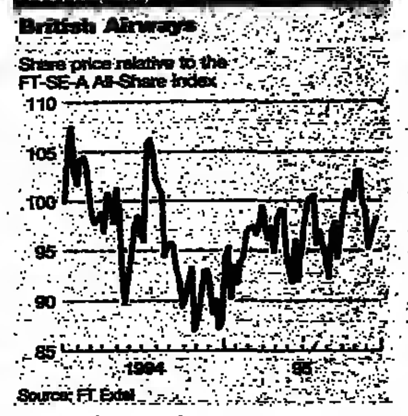
French flop

Cutting the size of Pechiney's share offering was, under the circumstances, the best option open to the French government. The latest French privatisation will now raise a maximum of FFr5.3bn ($1.1bn), instead of FFr6.9bn. The number of shares to be sold by the government has not changed but the size of the simultaneous capital increase – new shares to be issued by the company – has been slashed. This should help get the deal done for two reasons: there are now fewer shares to be sold, and, perhaps more importantly, investors will be less concerned about dilution.

The government was right to push ahead, given the need to stand firm in the midst of political turmoil. It was also probably sensible not to drop the price below the indicated range. This could have looked too cheap in retrospect.

Yesterday's action may well have averted a disaster, but the deal will still be classed as one of France's privatisation flops. That is partly due to extremely difficult market conditions resulting from the social unrest sparked by the government's deficit-cutting plan. The complex structure of the transaction, with two different share swaps, and concern over cyclicality proved a further turn-off. This is not entirely the Treasury's fault, but its privatisation record is unimpressive. The effect of another poorly managed privatisation offering is likely to be the cooling of any residual enthusiasm among investors for French privatisation stocks – and less money for the state's empty coffers.

FT-SE Eurotrack 200: 1557.7 (-7.0)



Source: FT Extel

Airline alliances

Rumours of an alliance between British Airways and KLM refuse to go away: despite a denial from KLM, the latest talk sent British Airways shares up 3 per cent yesterday. The reason the market is excitable is that an alliance would be excellent news. The airline industry is oversupplied and ferociously competitive; alliances help by taking out duplicated costs, and making better use of resources, cutting out empty and low-yielding seats.

KLM and BA have been here before: they tried to merge five years ago but failed because terms could not be agreed. Yet KLM, increasingly conscious of its marginal position in Europe, is still committed to finding a European partner. And an alliance with KLM would suit BA: there is more room for expansion at Schiphol than at Heathrow, and KLM is, after BA, Europe's most commercially-minded airline.

One complication is that both BA and KLM already have US partners, USAir and Northwest. A four-way alliance would be immensely strong, but would probably run into problems with US regulators for precisely that reason. Moreover the existing alliances are unsatisfactory: USAir's performance has been poor, and Northwest and KLM are engaged in a public row. That could point to scrapping both alliances and starting afresh, perhaps with American. But the upheaval would be huge.

A less ambitious move would be to ditch one and concentrate on the other: if so, Northwest – bigger, and more international than USAir – looks the obvious survivor.

Capital expenditure

Hanson last week took an uncharacteristic step forward in the battle for accounting transparency with its move to split out "maintenance" capital expenditure from investment for growth. By revealing the sums that need to be reinvested in a business to maintain the life and quality of its assets, investors can calculate free cash flow – the amount of cash a company is generating for expenditure on growth, acquisitions or dividends.

Sadly such information may not, on its own, add much to the sum of investor knowledge. There is clearly subjective judgment involved in deciding whether investment is for expansion or maintenance. For example, building a new production line could be an investment in growth or a move to replace existing ageing plant. Given a choice, most managements would stress the former. Another potential benefit of giving more information is that it would enable investors to evaluate how profitably management was deploying the company's cash – in particular, whether it was earning more than its cost of capital.

Unfortunately, merely splitting capital expenditure into maintenance and growth components will not do the trick. More detail about how particular investments have performed and how new investments are expected to perform would be needed. This does not mean Hanson's move is worthless, merely that it needs to be seen as the start, not the end, of a process of opening up investment plans.

Forte/Granada

Forte's proposal to demerge its restaurants from the hotel business is an astute opening move in its defence against Granada, even if it carries the whiff of scorched earth. First, it demonstrates Sir Rocco Forte is prepared to trade with the family silver, since the restaurant operations were the original core of his father's business empire.

Most important, however, it gets round Forte's inability to complete a sale of these assets at a full price now. Given its appeal to companies such as Whitbread and Bass, the new restaurant business would be bound to attract a bid premium. There would also be benefits from greater management focus, which has done wonders for previous demergers such as Zeneca and Chubb. Nonetheless, this would be offset by the loss of bulk-buying discounts from the combined hotel and restaurant business. A little bid hope, however, could justify a price-earnings ratio for the restaurant business of 16 times earnings for the year to January. This suggests a valuation, excluding debt, of £1bn ($1.6bn), compared with a £750m book value.

Since Granada's offer was at a £740m premium to book value, Forte will have to do much more to win. The £1bn sale of its restaurants, plus the disposal of its Savoy stake and White Hart hotels, would leave a debt-free hotel business; but the Granada offer would still value that business at around 20 times expected current-year profits. Until Forte commits to management changes and trophy asset sales, it will look vulnerable.

Additional Lex comment on Welsh Water, Page 26

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

KLM denies report of global alliance

Shares in British Airways and KLM rose after a press report saying the two were involved in partnership talks – in spite of a firm denial by the Dutch carrier. KLM said there was no truth to the report in the Dutch newspaper De Telegraaf that three-way talks were taking place between BA, KLM and AMR, American Airlines' parent, to create a global alliance. Page 21

Barrick Gold to expand with $1bn facility
Barrick Gold of Canada has set up a US$1bn credit facility to help finance its accelerating international expansion. The company said: "Growth will be fuelled by exploration and acquisition. This is for the acquisition side." However, it said no deals were immediately pending. Page 20

Postbank steps up bid defence
Postbank, the German postal savings bank, said it expected a sharp rise in net profits this year to about DM200m ($138m), up from DM51m last year. And it insisted the results proved it should remain independent of Deutsche Post, the postal service, which has launched a hostile takeover bid. Page 22

Macquarie 'on course' for 1996 flotation
Macquarie Bank, the only large Australian-owned investment bank, said it was "on course" for a stock market flotation in tha second half of 1996. The hank also reported a 14.3 per cent rise in after-tax interim profits. Page 24

S&N forges ahead with Courage
Courage lifted its beer sales 7.5 per cent in the six months to October, far out-performing the market and the existing brewing business of Scottish & Newcastle, its new owner. S&N posted a 9.2 per cent rise in pre-tax profits to £158.2m ($250m). Page 25

T&N to appeal against asbestos judgment
T&N, formerly Britain's largest asbestos producer, said it would seek to overturn a High Court judgment ordering it to compensate two cancer victims who contracted the disease after playing outside one of its UK plants as children. Page 26

London Share Service
From today, the FT is changing the method of calculating high and low prices on the London Share Service pages. These will now show the highest and lowest price reached by a company's shares during the previons 52 weeks. The rolling 52-week method gives a more consistent time frame for assessing share price performance than its predecessor, which charted highs and lows in a calendar year. We will, however, continue to use the calendar method on Saturdays for those readers who prefer this approach.

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Aachen Mch Rg	990	+	20
Asko Prf	690	+	35
Kaufhof	446.5	+	7.5
Lahmeyer	558	+	18
Falls			
Allianz	841	–	14
CKAG Col Prf	845	–	15
NEW YORK ($)			
Rises			
Appld Matls	49	+	2
Intel	62¾	+	1⅛
LSI Logic	47	+	6½
Netscape Coms	145¾	+	8¼
Spyglass	109¾	+	3
Falls			
UUNET	74½	–	2
LONDON (Pence)			
Rises			
Chiroscience	344	+	35
MAID	299	+	25
S Wales Elec	1165	+	57
Falls			
BSkyB	397	–	31½
Euro Disney	155	–	15
Slebe	739	–	23
TORONTO (C$)			
Rises			
Biovail	85	+	5
Crown Res	7¼	+	1¼
Metowerks	20¼	+	2¼
Falls			
Inax Corp	30¼	–	2
Sobkey SW	42	–	4
N Amer Pall	5¾	–	¾

PARIS (FFr)			
Rises			
Fonc Lyon	623	+	29
Falls			
AXA	289.4	–	9.1
LVMH	936	–	20
Nav Mixte	690	–	51
St Gobain	564	–	19
Unibail	482	–	17
TOKYO (Yen)			
Rises			
Calpis Food	730	+	25
Casio Cmptr	953	+	49
Ishii & Co	393	+	16
Yamaha Corp	1820	+	120
Falls			
Fanuc	4370	–	120
Nissan Mtr	725	–	22
HONG KONG (HK$)			
Rises			
Cons Elec	13.35	+	0.55
CPL Intl	7.95	+	0.55
Swire Pac A	60.75	+	1.5
Falls			
Best Wide Gp	0.79	–	0.11
Hop Hing W97	0.80	–	0.10
Wech Hld W98	3.15	–	0.35
BANGKOK (Baht)			
Rises			
Alphatec	334.0	+	22.0
Post Pub	118.0	+	10.0
Thai Prtn	159.0	+	14.0
Falls			
CPL Group	78.0	–	1.75
Interlife	52.0	–	8.5
Siam Com Life	38.0	–	4.0

New York and Toronto prices at 12.30pm.

France scales down Pechiney sale

By John Ridding in Paris and Antonia Sharpe in London

The French government yesterday launched the privatisation of Pechiney, but was forced to scale down the issue because of weak demand and investors' concerns abont the size of a planned capital increase for the aluminium and packaging group.

Tha decision highlighted the government's desire to maintain the momentum of its privatisation programme and to avoid an embarrassing delay in the sale. This possibility had been presented by difficult market conditions and increased investor anxieties resulting from the country's political crisis.

As a result of the reduced issue, the aluminium and packaging group will receive a maximum of FFr2.4bn ($490m) in new capital, compared with the FFr3.5bn-FFr4bn promised when the privatisation was announced last month.

The government will be left with a stake, possibly as high as 9.5 per cent. With the pricing for individual and institutional investors set at FFr187 per share, the bottom of a predicted range, it will receive only about FFr4bn, excluding further revenues from possible clawback options. This compares with initial estimates of FFr5bn-FFr6bn for the sale of its 56 per cent stake.

Mr Jean-Pierre Rodier, Pechiney chairman, expressed satisfaction with the launch of the operation and played down the implications of the reduced issue. "This was a pragmatic decision. The important thing is that we will be in private hands."

According to Mr Rodier, investors had expressed concerns that the planned capital increase would prove too dilutive at the low price forced by market conditions. "I have always said that as a private company we will place great importance on shareholder relations, so it is right that we start now." He said the state's intention was to sell all of its shares in the company and that its holding would only amount to about 3 per cent if a greenshoe option was fully exercised.

Deteriorating market conditions, the poor performance of previous French privatisation issues and concerns about the cyclical aluminium sector had prompted increasing concerns about the Pechiney issue. "Some were expecting it to be pulled because of the lack of response from investors," said one banker.

But French officials and Pechiney yesterday expressed optimism that individual investors would confirm their orders and the institutional placement would proceed smoothly. Bankers said the decision to offer shares at the same price to retail and institutional investors would be welcomed by institutions. They have complained at having to pay a premium in recent French privatisation issues and maintain it is the public price and not the institutional price which is defended in the after-market by the arranging banks.

The Pechiney chief said the reduction in the capital increase meant net debts at the end of the operation would be about FFr14.1bn.

"Obviously this is not as good as FFr13bn, but it shows we have made a lot of progress from the FFr25bn at the end of last year." He said debt reduction would remain a central part of the group's strategy.

Lex, Page 18
CCF future in doubt, Page 22

Reliance to review Bombay delisting

By Shiraz Sidhva in New Delhi

The argument between India's biggest honrse and Reliance Industries, the country's largest and most widely-held private company, appears tn be approaching a resolution. Reliance yesterday agreed to review its decision to delist from the Bombay Stock Exchange (BSE).

The BSE's governing board, which met yesterday to discuss last week's reqnest from Reliance Industries to delist, said it was "unable to accede to the request".

It urged Reliance to reconsider the move "in the larger interest of investors and that of the capital markets".

Reliance said its board would meet today to consider the BSE's reqnest "in the larger interest of its 2.6m shareholders".

The bourse's brokers have been urging Reliance and the BSE to resolve a dispute over the issne of duplicate share certificates which resulted in Reliance shares being suspended for three days last month.

Reliance accounts for about 10 per cent of the BSE's daily aggregate turnover. It is estimated that turnover of Reliance Industries scrips last year accounted for Rs60bn ($1.7bn).

"Considering that the total number of active brokers is 500, and that each takes n 2 per cent fee, the personal earnings of brokers through Reliance scrips alone [not conntlng the three other group companies that Reliance wanted delisted] would amount to about Rs2m," said one broker.

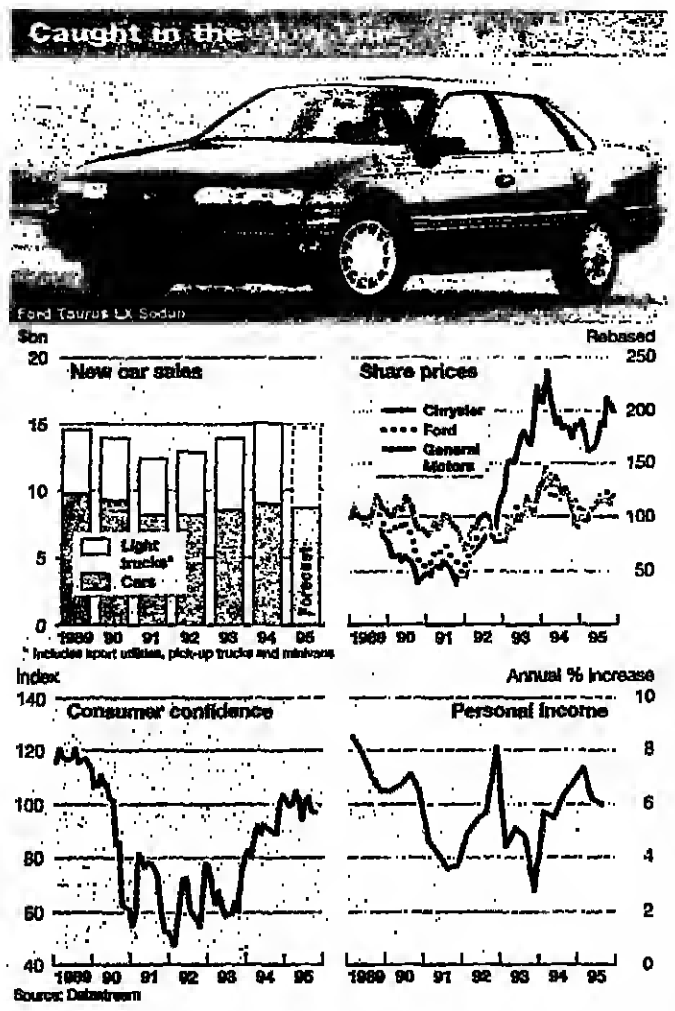
The BSE board has taken a serious view of Reliance's allegations against two of its members that they were part of a bear cartel bringing down the market and had launched a vilification campaign against Reliance.

"Singling out directors by name and levelling charges against them was most unfortunate and uncalled for," the BSE said. "Needless to say, the charges against them and other directors are baseless."

Reliance shares dropped on both the BSE and the National Stock Exchange in listless trading on both exchanges. The BSE Sensitive Index moved to 3,036.23 yesterday from Friday's close of 3,037.99, with Reliance shares down Rs1 to Rs229.

Reliance said it had asked for the delisting because it regarded the BSE's unprecedented decision to suspend it from trading as "wrong and unfair".

US industry leaders are at a loss to explain poor sales



"It's like one of those dreams where you want to run but you just can't move," says Mr Boh Lutz, president of Chrysler.

By most measures, the US car market should be surging. The economic indicators are all pointing in the right direction: disposable incomes are rising and consumer confidence remains high, while personal debt, though on the increase, is low by the standards of the 1980s.

Somehow, though, US car sales are languishing. It has left Mr Lntz, along with other anto industry leaders, with the feeling that they are moving forward in slow motion, if at all. And it has raised the uncomfortable possibility that something fundamental has changed in the US new vehicle market.

Asked why sales are sagging, Mr Lutz confesses: "We honestly don't know. We don't really understand why it isn't better."

The latest indication of the US car market's softness has come in three phases. First were the cautions issned with third-quarter results, which suggested that profits in the final three months would not match the year before.

Next, sales figures for October – a month when the showrooms are crowded with new models and advertising spending is high – proved a disappointment. A truck strike, interrupting the flow of vehicles to tha showrooms, exaggerated the problem, but there was no disputing the underlying picture: consumers may still be buying light trucks (sport utilities, minivans and pick-ups) at last year's rate, but their enthusiasm for the passenger car has dimmed. That trend extended into November. October's sales disappointment was followed quickly by lower production forecasts for the final three months of the year from both Ford and Chrysler.

The autumn setback is the latest twist in what has turned out to be a disappointing year for Detroit. After selling 9 per cent more cars in 1994, despite price increases that averaged 5 per cent, the US manufacturers entered 1995 in bullish mood.

This year, though, fewer new vehicles will be sold in the US than last. The setback has come at a time when the automakers had expected sales to jump. "It's not disastrons, but the recovery is over," says Mr David Healy, an analyst at Burnham Securities.

The pricking of the automakers' balloon has come et a point in the economic cycle when they had expected profit margins to be expanding further, not buckling under consumer apathy.

Looking for a reason, most commentators hava turned to price. Last year's increases, and a spate this year, "have really hurt the first-time buyer", says Mr Mr George Magliano, an analyst at Wefa, a US research group. "The affordability problem has made the used car market more attractive," he says. That has coincided with a flood of two-year-old cars on to the used car market, the prodnct of an earlier wave of cheap short-term leases used by carmakers to attract customers.

Carmakers puzzle over faulty engine of sales growth

Also, through their aggressive use of discounts and lease deals to shift new vehicles, the manufacturers have encouraged customers to resist higher prices. Against that background, most economists' assumptions about the long-term steady growth in the new vehicle market may no longer be valid.

"There is no denying that the new automohile does not have the prestige value or priority in family spending it had 30 years ago," says Mr Lutz. However, he argues that this factor alone could not account for the unexpected weakness in car sales this year.

Facing a shortage of buyers, the US carmakers are now turning back to two tricks that Wall Street had hoped they had abandoned: sales to rental fleets, where profit margins are lower; and cheap leases. They are also unlikely to be able to reduce the cash incentives paid to bnyers much further.

This year's slowdown need not be disastrous for the US automakers, though. One bright spot has been the strong demand for light trucks – sports utilities, pick-up trucks and minivans. Buyers continue to queue up for the most popular models, prompting a scramble by the manufacturers to shift production away from passenger cars.

These trucks now make up 40 per cent of all new vehicles sold in the US, np from 33 per cent at the start of the decade.

Also, if it proves to be a symptom of the hoped-for "soft landing" in the US economy, the weakness in the market now may end up being good for the manufacturers in the long run.

At less than 15m, new vehicle sales may not hit the cyclical peak the industry bad been assuming. But two or three more years of sales at this year's pace would give the carmakers plenty of time to complete the renovation of their balance sheets in preparation for the next real downturn.

Richard Waters

Forte to dispose of Savoy stake to fend off bid

By David Wighton and Scheherazade Daneshkhu in London

Forte of the UK plans to split its restaurants and hotels businesses and end its 14-year battle to win control of the Savoy luxury hotels group in an attempt to fend off Granada's £3.3bn ($5.2bn) bid.

The surprise proposal to dispose of its stake in the Savoy and demerge the restaurants business, announced yesterday, would end its connection with the original business, founded by Lord Forte with a milk bar in the 1930s.

Analysts saw the demerger proposal partly as an attempt to flush out rival bids for the roadside restaurants which some believe are the main focus of Granada's interest. Free of debt, analysts estimate they could fetch more than £1bn.

Sir Rocco Forte, chairman and son of Lord Forte, said: "If attractive offers for the restaurants come along we will look at them." He said the group had been considering a demerger of its restaurants for some months and bad expected to announce proposals next April.

He admitted that the plan to dispose of the Savoy stake had been prompted by the bid.

Granada, which has already said it would sell the stake, described the Savoy announcement as "a complete reversal of policy" and attacked the proposals as "an admission of defeat".

Mr Gerry Robinson, Granada chief executive, said splitting the restaurants from the hotels would lose the group important cost benefits from joint purchasing of food and drink. Sir Rocco said the overlap in purchasing was relatively minor.

He said: "The demerger follows the clear logic of what we have been doing with the business in giving it more focus."

More of a surprise was the decision to "realise the value" of Forte's investment in the Savoy group, either through a sale or a demerger. Forte's long campaign to win control of the Savoy has been thwarted by the resistance of other shareholders and by the group's capital structure, which gave Forte 68 per cent of the shares but only 42 per cent of the votes.

If Forte decides on a demerger, investors could ultimately receive shares in a separate restaurants company and in the Savoy in addition to their Forte shares.

Sir Rocco expected the demerger proposal to add value to the group as it had in cases such as Imperial Chemical Industries' demerger of Zeneca and Racal's demerger of Vodafone. These moves headed off threatened bids from Hanson and Cable and Wireless respectively, while Racal's announcement of its plan to demerge Chubb helped defeat a bid from Williams in 1991.

Some analysts said Forte's demerger plan was unlikely to add much value, arguing that the value of the underperforming restaurants side was fully reflected in the group's share price.

Lex, Page 18

Courtaulds chiefs to step down

By Motoko Rich in London

Mr Sipkn Hnismans, chief executive of Courtaulds, the UK chemicals company, is leaving in July, aarlier than he had planned. The announcement surprised investors, many of whom had expected Mr Huismans, aged 54, to succeed Sir Christopher Hogg, 59, who will also step down as chairman in July.

Mr Huismans said yesterday he would have preferred to stay on as chief executive for longer.

His departure follows nearly four years in the top job, during which the shares have underperformed the sector. "Sipko has been associated with the share price underperformance," said one analyst. "He would consistently say it is going to get better next year and it never did."

The group last month reported a 16 per cent decline in pre-tax profits to £67.8m ($107m) in the six months to end-September, blaming raw materials prices as the main factor.

Sir David Lees, non-executive chairman of GKN, the automotive components, defence equipment and industrial services group, is to become Courtaulds chairman. He has been a non-executive director since 1991.

Mr Gordon Campbell, Courtaulds depnty chief executive, will succeed Mr Huismans.

Mr Hnismans, who was appointed chief executive in 1991 when Sir Christopher split the role, said that July 1996 was about a year or two earlier than he would have liked to retire.

"I would have been happy if Sir Christopher had stayed on a year later," he said. "But it is time for soma other guys to have a go at it."

Analysts said Mr Hnismans was leaving before be had completed his programme to make Tencel, the gronp's new man-made fibre, a significant profit driver.

Mr Huismans, a non-executive director at Vickers, the engineers, said it would be "hard to be a non-executive in a company I have been involved in for 35 years. I am an up-front guy who persuades people to my point of view rather than collecting other people's views and advancing it. So I am not sure the board hasn't made a good decision."

Sir Christopher said that in considering Mr Huismans, the board was "conscious that, on the whole, the prevailing climate of opinion is not in favour of the chief executive stepping up to be non-executive chairman".

INTERNATIONAL COMPANIES AND FINANCE

AMERICAS NEWS DIGEST

Ammonia plant to be built in Chile

Enaex, the Chilean mining explosives company, is to go ahead with plans to build the first ammonia plant in Chile, e 400-tonne facility at Cabo Negro, near Punta Arenas on the Magellan Straits. It will process natural gas supplied by ENAP, the state oil and gas company, which will be a minority partner in the new venture.

Enaex also plans to more than double its current production of ammonium nitrate, the prime ingredient in commercial explosives, with e new 250,000-tonne plant alongside its existing facility et the northern Chilean port of Mejillones. Total production will reach 360,000 tonnes when the new plant is on stream, within about 30 months. The investment will be within e range of $100m to $200m, financed with e relatively small equity stake and with a project financing.

ICI Explosives, part of the UK-based multinational chemicals group, has also announced plans to build e 220,000-tonne ammonium nitrate plant in northern Chile. It currently supplies imported explosives. But Mr James C. Boldt, finance officer at Austin Powder of the US, which holds a 22 per cent share in Enaex, says he would "be surprised if both plants get built". The explosives markets in Chile and neighbouring Peru are both growing rapidly, but Mr Boldt estimates that Enaex's projected new capacity will account for much of the growth, and its direct supply of ammonia will give it cost advantages over the ICI project, which will import ammonia from the Caribbean spot market. *Imogen Mark, Santiago*

Tembec sees strong demand

Tembec, an eastern Canada forest products group, sees turbulence in many markets, but says this should not affect the longer-term trend of strong world demand and higher prices. Tembec produces sawn timber, speciality pulps, carton board, printing papers and newsprint and export to more than 50 countries.

It reported net profit for the year ended September 30 of C$118.6m (US$86.86m), or C$2.95 e share, up from C$72.7m, or C$2.24, a year earlier, on revenues of C$873m, up nearly 75 per cent from C$500m. Fourth-quarter net profit was C$39.7m, or 90 cents a share, against C$72.1m, or C$2.22, a year earlier when e C$65m special gain was included. Sales were C$291m against C$148m. *Robert Gibbens, Montreal*

Laurentian Bank advances

For the year to end-October, Laurentian Bank, controlled by Quebec's C$76bn Desjardins financial services group, posted a net profit before special items of C$40.2m (US$29.44m), or C$1.83 a share, np from C$38.8m, or C$1.84, on fewer shares outstanding e year earlier. Return on equity was 9.3 per cent *against 9.2 per cent. Total assets at October 31 were C$12.7bn,* np 21 per cent from a year earlier, mainly because of acquisition of North American Trust. *Robert Gibbens*

Kmart halts Canadian unit sale

Kmart, the US retailer, has taken its 127-unit Canadian chain off the market. Hudson's Bay, owner of Zellers, the market leader, was negotiating for Kmart Canada, planning to absorb most of its stores, analysts said. But Kmart Canada said although it had received expressions of interest, the best offer was too low and "it's in our best interest to keep these stores". Analysts believe the US parent had put a C$200m tag on its 12,000-employee Canadian chain, but Hudson's Bay offered only C$150m. Dayton Hndson of the US is reported to be planning to enter Canada with its discount chain, but analysts say ultimately the Canadian market will support only two large national discounters. *Robert Gibbens*

Barrick Gold establishes $1bn credit for expansion

By Bernard Simon in Toronto

Toronto-based Barrick Gold has set up e US$1bn credit facility to belp finance its accelereting international expansion.

A Barrick official said yesterday: "Growth will be fuelled by exploration and acquisition. This is for the acquisition side." However, he added that no deale are immediately pending.

Barrick, which is the biggest gold producer outside South Africa, has markedly stepped up its exploration activities over the past year, especially in Latin America and east Asia. Ite balance sheet ls strong, with cash reserves of almost $400m and a debt-to-equity ratio of 13 per cent on September 30.

Barrick paid with shares worth US$76m late last week for High Desert Mineral Resources, whose main asset is a 40 per cent stake in a promising deposit close to Barrick's flagship Goldstrike property in Nevada.

The sellers were a local couple, Mr and Mrs Ronald Sean Halavais. The Halavais, who staked their claim in 1985, will also be entitled to e 1 per cent smelter royalty on part of Goldstrike'e Betze-Post mine, and a 2 per cent interest in production from the High Desert property.

Denver-based Newmont Gold owns the remaining 60 per cent of Higb Desert, whicb is located on the Carlin Trend, one of North America's richest gold-mining belts. Barrick and the Halavais have another joint exploration venture close to Newmont's existing Carlin mine.

Newmont bas tentatively estimated that the High Desert property contains 3.357m tons of gold-bearing ore with a grade of about 0.353 ounces per ton. However, evaluation of the property remains at an early stage. A Newmont official said that completion of an underground mine is at least five years off.

The new revolving credit facility, with a five-year term, was provided by a gronp of banks led by Royal Bank of Canada.

Two Brazilian banks plan incorporation

By Jonathan Wheatley in São Paulo

A mucb-anticipated wave of mergers and acquisitions in Brazil's banking industry has moved a step closer with the planned incorporation by Banco Bandeirantes of Banorte, whose combined operations would rank eleventh, in terms of assets, among tbe country's private-sector banks.

The banks said the incorporation would be achieved by transfer of stock between majority shareholders. No casb payment is involved.

In contrast to the acquisition of the "good" assets of Banco Nacional by Unibanco on November 18 after central bank intervention, this operation apparently involves two banks in sound financial health.

However, despite insistence that the move is a strategic measure unconnected witb recent problems in the industry, there is speculation that Banorte has experienced difficulties in recent months. In August, the central bank intervened in two banks in the north-east, Banco Mercantil of Pernambuco and Banco Económico of Bahia.

Analysts say Banorte has caused some concern because of its highly leveraged credit operations, making it vulnerable to any policy changes affecting the industry. The central bank has issued a string of measures governing credit and deposit requirements over the past year in efforts to manage the rate of economic growth following tha introduction of a new currency in July 1994.

Swiss Bank Corporation, adviser to both institntions, said the banks recognised "the need to reach a certain critical mass" in order to operate more efficiently on a larger scale and tackle international markets.

Banco Bandeirantes is regarded as a conservative, traditional bank wbose strength is in medium-sized corporete and private customers, mostly in the south and centre of Brazil. Banorte, which hes invested heavily in information technology, has a similar customer profile in the north-east of the country.

IBCA, the international credit rating agency, said it would review Banco Bandeirantes's individual rating "with negative implications", citing donbts over Banorte's asset quality and rumours of funding problems.

Fleming expands into Peru

By Sally Bowen in Lima

Today sees the launch of Fleming Latin Pacific, a joint venture between Robert Fleming, the old-establisbed, privetely-owned British investment bank, and two former senior Pernvian government officials. They are Mr Carlos Montoya, until last month chief executive of Copri, the bigh-level privatisation commission, and Mr Emilio Zuñiga, former president of state oil company Petroperu.

FLP has recruited a strong team for its new Lima office, with several others drawn from Copri. It will function in three main areas: capital markets, international mergers and acquisitions and research. Lima will serve as the base for FLP's projected expansion into the other Andean Pact economies of Colombia, Bolivia, Ecuador and Venezuela. Mining, oil, telecommunications, gas and power are the target areas.

Last week also saw the formal opening in Lima of a branch office of Merrill Lynch, the US investment bank. It builds on the two-year-old Lima operation of Smith New Court and will focus on research.

Tupperware decides it's time to party on its own

The company is being prepared for a separate role

For many people, especially Americans, the image of Tupperware is rooted in the 1950s. The name conjures up a vanished world: one in which plastic was still a novelty, and housewives had time to sit in each others' front parlours being instructed on how to store food in plastic bowls and boxes.

Indeed, the Tupperware company seemed until recently in inexorable decline. Fast-growing rivals such as Rubbermaid, which sold to retailers rather than direct to the home, were grabbing market share. By 1992, US sales of Tupperware had halved from a decade earlier; and the company – historically very profitable – reported a loss after closure costs of $25m on sales of $1.1bn.

The picture is now rather different. This year, Tupperware stands to make profits of perhaps $225m. This is despite continuing losses in the US, and a doubling in plastics prices which has badly dented the profit margins of its rivals. Its owner, the slightly obscure conglomerate Premark, has decided to spin Tupperware off as a separate public company.

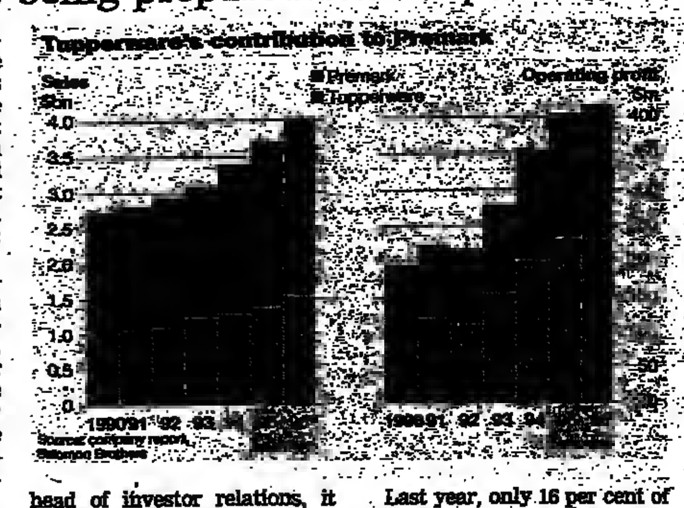
The history of Tupperware's ownership is symbolic of the restlessness of US capitalism. Mr Earl Tupper, an inventive former employee of the chemicals group Du Pont, founded the company in 1942.

In 1958 he sold it to the Rexall Drug Company. In 1980 Rexall – now re-named Dart Industries – merged with the food group Kraft to form Dart and Kraft.

In 1986, Kraft was split off again, later to become part of the tobacco company Philip Morris. Dart, now consisting of Tupperware and a rag-bag of other products from floor tiles to exercise treadmills, was renamed Premark. Now Tupperware is to regain its independence, and the cycle is complete.

Tupperware's revival has several elements to it. The first had to do with morale. When Premark was spun off in 1986, it was made up of the problem businesses which Kraft wanted to get rid of. According to Ms Christine Hanneman, Premark head of investor relations, it was not until a couple of years ago that Premark's management had solved enough of the problems across the group to be able to plan ahead.

In Tupperware's case, the fixing included bringing in a new boss, Mr Rick Goings, a specialist in direct selling from Avon, the door-to-door cosmetics company. His arrival, in lete 1992, coincided with sweeping cuts in the US operation at a cost of almost $140m.



With hindsight, though, Tupperware's problem was to an extent solving itself. If the Tupperware party is deeply old-fashioned in the US, it is remarkably durable elsewhere in the world. As US sales have shrunk, international sales have grown by 11 per cent compound over the past five years.

As e result, only 18 per cent of Tupperware's sales last year were in the US, compared with 42 per cent in Europe and 27 per cent in the Asia-Pacific region. In geographic terms, the tail is now wagging the dog. Given the growth in Asia, Latin America and the developing countries of Europe, falling sales in the US are no longer life-threatening.

The position is one Tupperware's rivals can only envy. Rubbermaid, in particular, is one of the most admired corporations in the US. But it is suffering intensa pressure on prices from big US customers such as retail chain Wal-Mart.

Last year, only 16 per cent of Rubbermaid's sales were outside the US. Its target is 30 per cent by the end of the decade.

Tupperware's policy of not selling through retailers confers a further advantage at a time when plastic prices have gone through the roof. Since Tupperware carries the whole cost of its own marketing, promotion and distribution, raw materials make up a much smaller part of its total costs.

Thue, Ms Hanneman calculates the gross margins of Tupperware'e rivals at about 30-35 per cent, while its own are 60-65 per cent. In the first nine months of this year, Tupperware's net operating margin has actually risen, from 12.6 per cent to 13.8 per cent. Rubbermaid's has fallen from 16.8 per cent to 12.7 per cent.

So where does Tupperware go from here? After the spin-off, it is likely to have a market valna of $1.5bn-$2bn (the whole of Premark is valued at $3bn).

Uncluttered by Premark's other assets, it might thus appear a toothsome morsel to an international consumer products group – a fact which will doubtless have played a part in the Premark board's decision.

In that case, the cycle started by Mr Tupper will be off for another spin. But that is corporate America.

Tony Jackson

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BA and KLM deny partnership reports

By Ronald van de Krol in Amsterdam and Michael Skapinker in London

Shares in British Airways and KLM rose yesterday after a press report saying the two were involved in partnership talks – despite a firm denial of the story by the Dutch carrier.

KLM said there was no truth to the report in the Dutch newspaper De Telegraaf that three-way talks were taking place between BA, KLM and AMR, American Airlines' parent, to create a global alliance.

It also denied KLM and BA were again pursuing partnership talks, after earlier attempts ended in failure. BA said it was not its policy to comment on partnership rumours. KLM's shares rose Fl 1.40 to close at Fl 57.70 on the Amsterdam Stock Exchange. BA shares rose 15p to 472p.

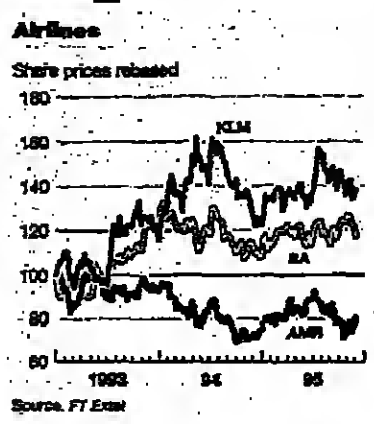
KLM said senior executives of the three airlines and other carriers saw each regularly at industry events. "The gentlemen come across each other quite frequently at such occasions, and they naturally talk about the future of the aviation industry," it said. But the airline insisted there had been no partnership talks. The Dutch newspaper had described the talks as being at an "advanced stage".

KLM already has a long-standing US partner in Northwest Airlines, but relations between the two have been strained by a "poison pill" mechanism put in place by Northwest to prevent KLM from expanding its stake.

Analysts said that, in the short term, KLM would not want to jeopardise its anti-trust immunity in the US and benefits from the US-Dutch "open skies" agreement by switching US partners. But the airline, hampered by its small domestic market, was clearly interested in achieving a link with other foreign airlines in future, they argued.

BA, which holds a 24.6 per cent stake in USAir, would benefit from a link with KLM as greater access to Amsterdam's Schiphol airport would help ease congestion at London's Heathrow.

Lex page 18



Scania expected to maintain profits growth

By Haig Simonian in Södertälje

Scania, the Swedish heavy trucks group expected to be floated in 1996, should maintain the rapid earnings and sales growth seen in the first nine months this year, despite the more difficult trading conditions in Brazil and Argentina, two of its biggest markets, and slower growth in western Europe.

Scania's sales improved 35 per cent to SKr25.4bn ($3.88m) in the first nine months on the back of buoyant demand in Europe and other markets.

However, some analysts are worried the company could suffer in the crucial pre-flotation period because of a cyclical downturn in Europe and the impact of deflationary economic policies on demand in Brazil and Argentina.

Concern about Scania's full-year results, to be reported in February, has been exacerbated by the replacement of its established 3-series truck range with the new 4-series, unveiled in October. Although the new range – Scania's first for 15 years – has been well-received, analysts have been worried by the effect of the changeover, which will last until next October, when the 4-series will be complete.

Mr Leif Ostling, Scania's chief executive, said in an interview that the impact of the model change on output should be minimal, while the new range would raise productivity once output was in full swing as it was quicker to build than its predecessor. The company wants to increase productivity to 3 trucks per employee on the 4-series, compared with 2.7 at present on the previous range, and just 2 trucks per employee in 1993.

He admitted there had been pressure on truck prices in Brazil and Argentina because of higher stock levels caused by manufacturers' reluctance to cut output. But he said the worst was over in Argentina.

Mr Ostling refused to comment on speculation about the size or timing of the Scania flotation, directing all questions to Investor, its parent company. He said Scania had not asked Investor for a bigger allocation of resources next year to reflect the income from a possible float. Scandinavian analysts have speculated Investor will sell up to 75 per cent of Scania's stock.

Coca-Cola puts lid on Swedish bottling row

By Hugh Carnegy in Stockholm

The prospect of the sudden disappearance of Coca-Cola products from Sweden was averted last night when the US soft drinks group reached agreement with its erstwhile local partner to continue supplies until the end of the year.

Earlier, Coca-Cola's Swedish partner of 42 years, Pripps, had shut down its bottling of Coke, Fanta, Sprite and other Coca-Cola products and left 400,000 litres of drinks piled up in its depots – much of it offloaded from trucks ready to make deliveries – in angry reaction to the breakdown of its long-term agreement with the US group late last week.

In response, Pepsi-Cola and its local partner Spendrups ordered an immediate trebling of production, adding new shifts to bottling plant schedules. "It's a great opportunity for us," said Mr Lars Ottosson, in charge of Pepsi's business development in Sweden.

But Pripps later relented. Pripps' annual SKr1.4bn ($214m) sales of Coca-Cole products account for one-third of turnover.

Further negotiations on the restoration of a long term relationship were not ruled out. Under the present terms, Coca-Cola will take over full responsibility for its products in the Swedish market from January 1 next year, promising a sharp intensification of the battle for market share in Sweden.

The relationship between Coca-Cole and Pripps foundered during renegotiation of their deal after the recent merger of Pripps with the Norwegian brewer Ringnes. Pripps Ringnes said Coca-Cola made "unacceptable demands".

It appeared Coca-Cole had become uneasy with the power Pripps exerts in the Swedish market. It has a 65 per share of the carbonated drinks sector, about half accounted for by Coca-Cola products and the rest its own brands.

SA Pepsi distributor expands, Page 24

Iri appoints valuers in preparation for Stet sale

By Andrew Hill in Milan

Iri, the Italian state holding company, has appointed J. P. Morgan and Giubergia SBC Warburg to value its majority stake in Stet, the telecommunications holding company, which should be sold next year.

The appointment of valuers, which was approved yesterday by the Italian treasury, completes the list of advisers to the sale. Barclays de Zoete Wedd and Mediobanca have already been appointed global co-ordinators to the offer.

However, the privatisation cannot take place until the Italian parliament has approved the detailed bill aimed at establishing the regulatory authority for the sector. Parliament approved the outline measures for the energy and telecoms sectors last month, and Mr Agostino Gambino, the telecoms minister, said he hoped to present the detailed decree for an authority this week.

Iri has said it would sell all its 64 per cent stake in Stet. The telecom company's overall market capitalisation is about L21,000bn ($13.1bn).

The timetable for Italian privatisations is extremely tight. By the middle of next year, the government wants to sell its outstanding stake in Ina, the insurer, a part of Enel, the electricity company, and Iri's majority stake in Stet.

The popularity of these offers could be affected by the performance of shares in Eni, the oil, gas and chemicals group which was partly privatised last month. Since they started trading a week ago, Eni shares have slipped to well below the offer price of L5,250. Yesterday they closed down L147 at L4,930.

Siemens buys half of Matra Transport

By David Buchan in Paris

France's Lagardère group is to sell half of its Matra Transport division to Siemens of Germany. It hopes the move, which entails creating a joint company, will help reduce losses at its automated metro and train signalling unit.

Lagardère would not disclose the price of Siemens' half-share. But it said that taking account of Matra Transport losses, which amounted to FFr230m ($460m) last year, the deal – arranged by the group's own Banque Arjil – would boost 1995 pre-tax profits by FFr300m.

Lagardère turned down an approach from Ansaldo of Italy in favour of Siemens, because of the latter's industrial and market muscle with a spread of factories and sales offices in Asia and north America, as well as Europe.

Under the agreement, due to be finalised this month, the joint company will retain the name of Matra Transport and will keep its headquarters in Paris. It will continue to be run by Mr Frédéric Allest, but with Siemens' Mr Wolfram Martinsen as supervisory board president.

Mr Martinsen hailed the deal as allowing Siemens, whose 14,000 strong transport division dwarfs that of Matra Transport's design and system integration team, to "enrich our range of products, particularly in the field of automated metros where Matra is the world leader".

The new company will also market Siemens' transport equipment in France. Siemens does not supply anything comparable with the VAL metro system that Matra has sold to Toulouse, Lille, Lyons and Orly airport in Paris, as well as Chicago and Taipei.

Only in Taipei will Matra and Siemens retain separate responsibility for the metro lines being built by both companies.

Matra's problem has been that it is a world leader in a market that has virtually collapsed, reflected in the fall in its turnover from FFr1.2bn in 1992 to around FFr500m.

EUROPEAN NEWS DIGEST

Volvo arm makes French acquisition

Volvo Construction Equipment, part of the Swedish vehicle group, has agreed to buy Groupe Pel-Job of France in an important expansion of its interests in smaller construction equipment. Terms were not disclosed for Volvo Construction Equipment's first takeover since it became a fully-owned unit of Volvo earlier this year. Previously, it was VME Group, jointly owned by Volvo and Clark Equipment of the US.

Pel-Job, based at Annecy-le-Vieux, south-east France, is a well-known producer of mini-excavators, with strong market shares in France, Germany, the UK and Italy. It also makes compact loaders, dumpers and the Mecalac multipurpose machines, and had total sales last year of FFr575m ($116m). Mr Bengt Ovlinger, president and chief executive of Volvo Construction Equipment, said Pel-Job was profitable. The deal brings Volvo Construction Equipment its first manufacturing plants in France. *Andrew Baxter, London*

Codan in Norwegian sales deal

Codan, the Danish insurance company controlled by the UK's Sun Alliance, has signed a letter of intent with Fokus Bank, the third-largest Norwegian bank, for the marketing and sale of Codan's life assurance, pension and accident policies through the bank's Norwegian branch network. Codan is already represented in Sweden. Codan said the new agreement was part of its strategy for Scandinavian growth. *Hilary Barnes, Copenhagen*

Viag joins network supply tender

Viag, the German energy-based conglomerate, yesterday became the second company to be awarded a licence to compete for the supply of a digital broad-band communications network linking the 36 studios of the German ARD television service. A similar licence was granted to Veba, another conglomerate, last month. Other companies are also believed to have applied to tender for the ARD contract, expected to be decided next year. *Peter Norman, Bonn*

Danone to control Africa venture

Danone, the French food giant, has bought a controlling stake in a joint venture with Clover, the South African dairy group, to launch value-added dairy products in Southern Africa. Danone will buy a minority stake in Clover for an undisclosed sum, estimated to be in excess of R200m ($36m), but will control the joint venture to market yoghurt and soft cheeses. Dr Marthinus Hermann, Clover chairman, said the joint-venture would enable Clover to expand its product range by manufacturing Danone's strong brand names in South Africa. The French multinational would also bring technical support and strengthen Clover's balance sheet.

In June 1995, shareholders funds were valued at R219m and debt at R440m. "There were other means to reduce debt, but we sought an equity stake because we want to list on the Johannesburg Stock Exchange within a year or two," said Dr Hermann. The group has a market share of about one third of the South African dairy market by volume. The transaction is due for completion in the third week of January. *Mark Ashurst, Johannesburg*

■ Carrefour, the French retail group, posted sales in the first 11 months up 7.1 per cent at FFr144bn ($28.83bn). French sales rose 4.9 per cent to FFr88.6bn. *AFX News, Paris*

■ Bremer Vulkan, the troubled German shipbuilder, yesterday said its supervisory board chairman, Mr Johann Schaeffler, had resigned. *AFX News, Bremen*

INTERNATIONAL COMPANIES AND FINANCE

Threatened Postbank predicts sharp rise

By Michael Lindemann in Bonn

Postbank, the German postal savings bank, yesterday said it expected a sharp rise in net profits this year to about DM200m ($138m), up from DM51m last year. It insisted the results proved it should remain independent of Deutsche Post, the postal service, which has launched a hostile takeover bid.

"Independence has done us good," Mr Günter Schneider, chief executive, said. "The future success of the bank also depends on its independence. Other options make no sense."

The improved performance, announced earlier than usual and underlined by increased savings deposits and the expansion of Postbank's other new businesses, comes at a convenient time for Mr Schneider, who is battling to defeat Deutsche Post's bid, launched in late September.

The German government has asked Schroders, the London-based investment bank, to recommend a solution to the tussle between the two state-owned institutions. They were once part of the same federal agency, but have since been hived off and are due to be partially privatised around 1998. Schroders is expected to report in early January.

It remains unclear, however, whether the improved results will significantly strengthen Mr Schneider's hand. Deutsche Post, which made its bid in conjunction with Deutsche Bank and Swiss Re, has argued that the profitability of its own post offices – which house the Postbank branches – depends on a takeover of Postbank.

The bid has so far been well received by the government and the opposition Social Democratic party, both concerned to fulfil constitutional obligations which require that a maximum number of post offices are kept open.

In its preliminary figures, Postbank said it had been able to improve margins on its core business significantly. Savings deposits rose 4.7 per cent to about DM56bn in October.

The number of current accounts had fallen from 4.6m to 4.4m, a trend that started when Postbank introduced bank charges a few years ago. Before that current accounts had been charge-free. However, more clients were taking advantage of overdraft facilities, which rose from DM375m last year to total DM700m.

The number of the bank's credit cards, operated by Visa and Eurocard, had risen about 14 per cent and was expected to reach 275,000 by the end of the year.

Postbank also said that for the first time, more than DM1bn had been deposited in its equity and money market investment funds, set up two years ago.

Nedlloyd aims to accelerate out of trouble

The group plans to pursue land and sea partnerships, says **Ronald van de Krol**

Mr Leo Berndsen is unaccustomed to disappointment. Since he took over the executive-board chairmanship of Nedlloyd, in mid-1993, he appeared to have transformed the previously struggling Dutch transport group.

His triumph seemed assured last year, when the company paid its first dividend of the decade. Nedlloyd appeared to have entered a period of normality, marking a break with the early 1990s when the shipping and road-haulage company had come under pressure from Mr Torstein Hagen, the London-based Norwegian shipping investor, to divest its non-core businesses.

But Nedlloyd is back in trouble. All the previous good work appears undone: this autumn the shares have collapsed, with the result that since Mr Berndsen took the helm the Dutch transport group has underperformed the market by 40 per cent.

COMPANY PROFILE:
Nedlloyd

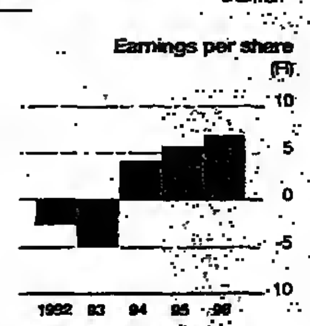
Market capitalisation	$510.7m
Main listing	Amsterdam
Historic P/E	8.1
Gross yield	2.2%
Earnings per share, 1994	Fl 4.10
Current share price	Fl 31.80

Leo JM Berndsen chairman

Share price relative to the Amsterdam AEX Index

Source: FT Extel

Earnings per share (Fl)



Source: ABN Amro

Referring to the past few weeks, Mr Berndsen concedes that "it has not been a pleasant period". On November 29, Nedlloyd halved its profit forecast for the year and disclosed "serious irregularities" at its Austrian road-transport operations. Earlier, on October 9, the company had been forced to acknowledge it would not meet its original forecast because of disappointing results from its ocean-going shipping operations.

Since early October, the company's shares have lost more than 40 per cent of their value to stand at Fl 31.80.

Sitting in his office high above the port of Rotterdam, Mr Berndsen insists he is not pessimistic. He says Nedlloyd will redouble its efforts to grapple with the strategic challenges facing the group's two main businesses – world-wide ocean-going shipping and European road transport. "I am certainly not sitting here with a feeling that Nedlloyd's future has suddenly dropped away."

In shipping, the recent setback was due in part to lower-than-expected volume on services between Europe and the east Asia, operated as part of the four-way "global alliance" between Nedlloyd, Mitsui OSK of Japan, Hong Kong's Orient Overseas Container Line and American President Lines of the US.

Start-up losses on a new route operated by the alliance – east Asia to the US east coast – also helped push Nedlloyd's ocean-shipping sector into an operating loss of Fl 9m ($5.6m) in the third quarter from a net profit of Fl 24m a year earlier. Sales were Fl 777m against Fl 716m. At the same time, Nedlloyd was hurt by the decline of the dollar, the shipping industry's international currency.

Despite these setbacks, Mr Berndsen says Nedlloyd aims to speed up the development of its four-way partnership rather than slow it down. "As partners, we've already realised a great deal of rationalisation at sea. The next cost-cutting battle will be on land," he says.

This new focus is crucial for Nedlloyd's shipping line because, like other shipping companies, it incurs 70 per cent of its costs on land, not at sea. The four alliance partners have already negotiated their terminal contracts at various ports as a group: "The four of us have more purchasing power than Nedlloyd would have on its own."

Other possibilities for the future include co-operation on inland haulage to get containers from the ship to their final destination. These and other potential advantages must be "accelerated" as part of Nedlloyd's strategic response to the challenge of operating in a low-dollar environment.

Mr Berndsen says the downturn in Nedlloyd's shipping operations in the third quarter also prompted the company last week to postpone a decision on whether to order two new ships. The ships, each capable of carrying 4,500 to 5,000 20-foot equivalent containers (TEUs), would have cost a combined $170m.

Nedlloyd's second main business, European road haulage, posted flat results in the third quarter, with continuing difficulties at North Sea Ferries, a joint venture operated with P&O of the UK, masking improvements elsewhere. In Germany, where Nedlloyd has yet to make a profit on its 1989 acquisition of Union Transport (Unitrans), the company is slowly but surely making headway. Unitrans may reach an operational break-even point "some time in 1996 or 1997", Mr Berndsen says.

The German business has been dogged in part by sheer bad luck. At the end of 1992, it was close to break-even when deregulation of the trucking industry caused cargo rates to drop by more than 30 per cent. This, and Germany's recession, have made the road to profitability a long one.

In road haulage, Nedlloyd plans to concentrate on its "home" market – the Benelux countries and Germany – and take a country-by-country approach elsewhere in Europe on where it should work with local partners and where it would have its own operations. Partnerships with partners in France and Scandinavia have already proved their worth, Mr Berndsen says.

The irregularities in Austria would cost Nedlloyd "several tens of millions" of guilders in the fourth quarter, but the troubles would have no lasting effect. Mr Berndsen declines to give details of what happened in Austria, apart from saying "air" had been pumped into the books over a period of several years. Analysts said the Austrian operations had reported small profits but had actually been loss-making.

"The last word about Austria has not yet been said in this company," Mr Berndsen says.

On the positive side, Neddrill, which rents out oil and gas rigs and which forms the heart of Nedlloyd's "Neddrill and others" sector, is going into 1996 with its equipment fully booked for the year. "To a certain extent Neddrill already knows its figures for next year," Mr Berndsen says. The Neddrill sector generated operating results of Fl 17m in the first three quarters, up from Fl 14m in the same period of 1994. Sales were Fl 182m against Fl 170m.

In 1993, Nedlloyd considered selling Neddrill but it says it is now looking for a strategic partner for the business.

Mr Richard Brakenhoff, transport analyst at Mees Pierson, the Dutch merchant bank, believes the company may eventually have to consider selling some of its businesses or its minority stakes in Europe Combined Terminals, a big container-handling facility in Rotterdam; Martinair, the Dutch charter airline; and Smit Internationale, the maritime services company.

"They've sold some already but they're still involved in such a broad range of businesses," Mr Brakenhoff says. "I don't think we've seen the end of the divestment process yet."

But Mr Berndsen says the company's balance-sheet strength, bolstered by a Fl 1.4bn debt refinancing in 1994, means it no longer has the sort of difficulty that occurred in 1993. "We do not have to divest businesses, or to consider divesting businesses, for financial reasons."

CCF future in doubt as merger plans dropped

By Andrew Jack in Paris

Crédit Foncier de France, the specialist banking group, yesterday withdrew its proposal to merge with an associated company, in an important and unusual victory for the country's minority shareholders.

CFF's board voted yesterday morning to cancel plans for a merger with Société des Immeubles de France, its 55 per cent-controlled property subsidiary. The other investors opposed the deal's terms.

The decision marks a significant step forward in the battle by minority shareholders in France to assert their rights, after many failures to bring about change in other such cases.

However, it throws into doubt the future financial stability of CFF, which has had difficulties during the current property crisis and would have been able to boost its balance sheet by FFr1bn ($200m) if the merger had gone ahead.

The action also raises questions about the existing legislation for mergers and the way it was scrutinised by the Commission des Opérations de Bourse, the French markets regulator, which had already approved the merger.

Ms Colette Neuville, who led the shareholder rebellion on behalf of a number of French and foreign financial institutions representing 15 per cent of the votes, said: "This decision shows that little by little we are moving from a *dirigiste* system to a capitalist one."

CFF's decision to cancel the merger was triggered by last Thursday's surprise ruling from the Conseil des Bourses de Valeurs, which oversees market operations on the French bourse, that it would have consequences for minority investors which could breach its regulations. In an extremely rare judgment, members of the Conseil expressed concerns about the proposed merger, because it involved two companies in significantly different business areas, which were governed by different legal statutes.

Immeubles de France is an ordinary private sector company, but CFF, in which minority shareholders would have become investors, is a specialist financial institution under French law, the "governor" or chairman of which is appointed by the President. Minority shareholders would have lost power, and were not being offered a cash alternative to CFF shares if they wanted out.

The shareholders also argued that the terms of the offer – seven CFF shares for every three of their existing ones plus an exceptional dividend – offered a significant discount to what they believed the company was worth. CFF decided to withdraw its offer rather than propose the alternative of a public buy-back, which it believed would have been too costly on the terms demanded by shareholders.

Some market officials said the decision was embarrassing for the COB, although others argued that it has no rights to intervene in the circumstances under the existing law.

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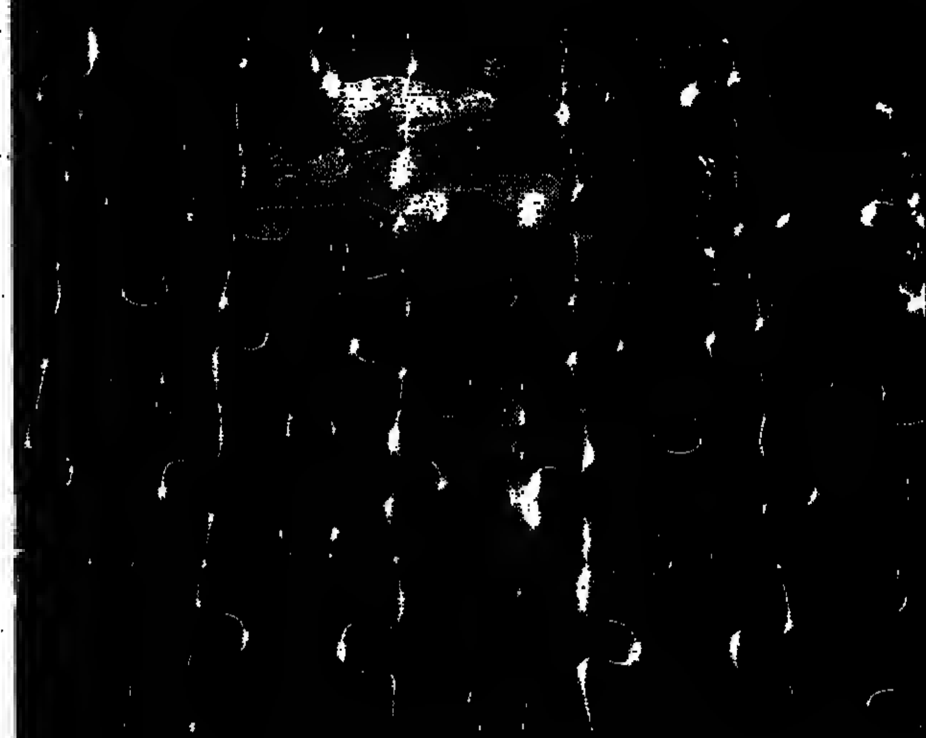
Building
CROSS-BORDER
relationships



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INTERNATIONAL COMPANIES AND FINANCE

ASIA-PACIFIC NEWS DIGEST

Toshiba to invest Y130bn in chip plant

Toshiba, one of Japan's leading semiconductor manufacturers, is to invest Y130bn ($1.28bn) over three years in a new manufacturing facility in northern Japan. The facility, due to go on stream by the spring of 1998, is the third significant investment in semiconductors Toshiba has announced recently, and demonstrates that semiconductor makers are confident demand for their products will grow.

Earlier this year, Toshiba announced a joint venture facility with IBM to produce advanced generation memory chips in the US, and another investment in a production facility in central Japan. Its total capital investment in semiconductors this fiscal year will reach Y160bn. Other Japanese semiconductor makers, such as Fujitsu and Hitachi, have also announced investments.

Toshiba's new facility will make highly integrated system chips, which combine memories and logic circuitry on a single chip. These chips are customised products which Toshiba expects will be in growing demand for high technology electronics. Memories and logic ICs will also be produced at the new plant. Production capacity will be 30,000 wafers a month.

Michiyo Nakamoto, Tokyo

SA Pepsi distributor expands

New Age Beverages, the South African distributor of Pepsi Cola, is to create the largest soft drinks plant in Southern Africa through a three-fold increase in capital investment.

Existing investors were joined by two of the country's largest trade unions and Standard Corporate and Merchant Bank in committing R220m to develop three new production lines at its plants in Johannesburg and Durban.

The initiative, announced on the first anniversary of Pepsi's return to South Africa, brings total investment to R305m. It quadruples bottling capacity and allows wider distribution of Pepsi products into areas neglected by rival Coca-Cola.

Mr Monwabisi Fandeso, president and chief operating officer, said the company had achieved its fourth year production target within 12 months. He would not disclose Pepsi's market share, nor production capacity. Pepsi Cola International had invested a further R55m to retain its 25 per cent share in New Age Beverages.

Mark Ashurst

Air NZ to 'ring-fence' Ansett

Air New Zealand will "ring-fence" the operations of Ansett, its main rival on New Zealand domestic routes, if it is allowed to buy a half share in the Australian airline. Air NZ has agreed to buy Australian transport group TNT's 50 per cent stake in Ansett for NZ$465m (US$302m), but the deal must be approved by regulators in Australia and New Zealand.

One of the main obstacles is the future of Ansett New Zealand, Air NZ's only significant competitor within New Zealand. Ansett New Zealand has lost NZ$90m since it was set up by Sir Peter Abeles in 1988, but recently moved into profit. The New Zealand government would face an outcry if Ansett New Zealand were to merge with Air NZ – or if it were closed.

In a submission to the Commerce Commission, Air NZ said it would ensure all Ansett New Zealand directors were appointed by non-Air NZ shareholders. It would also guarantee that no Air NZ staff were involved in the management or direction of the business, nor would they receive confidential information about the company.

Terry Hall, Wellington

Amcor sells John Sands unit

Amcor, the Australian paper and packaging group, is selling its John Sands greeting card business to the US-based American Greeting Corporation, the biggest publicly-owned greeting cards manufacturer. Amcor did not disclose a price for the cash deal which is still subject to final due diligence and various regulatory approvals, but sales at John Sands are around A$130m a year.

Nikki Tait

Daewoo Motor to break even

Daewoo Motor, a unit of South Korea's Daewoo Group, expects to break even this year, after posting a loss of Won9.08bn ($11.6m) in 1994. "This year's business improved due to our drive to sell cars overseas," Daewoo said.

It added that sales would rise to Won3,500bn this year, compared with Won2,790bn in 1994. The company also predicted a sharp rise in exports which it said would reach 270,000 units this year, up sharply from 102,000 in 1994. Domestic sales, however, are estimated to decline to 190,000, compared with 249,000 a year before.

Reuter, Seoul

Macquarie Bank 'on course' for share flotation

By Nikki Tait in Sydney

Macquarie Bank, the only substantial Australian-owned investment bank, said yesterday it was "on course" for a stockmarket flotation in the second half of 1996. The bank also reported a strong rise in mid-term profits.

Mr David Clarke, chairman, said the bank planned to talk to its shareholders – who include around 700 staff and about 100 institutions, led by Hill Samuel of the UK with a 14.1 per cent stake – in February. Macquarie does not require any new capital, so the flotation shares are likely to be provided by existing holders.

The bank would then come to the market after the company's annual meeting in July, by which time its full-year profits for the year to end-March would be known.

Mr Clarke admitted that the multi-billion dollar sale of the federal government's 51 per cent stake in Commonwealth Bank of Australia could be a complication.

No timetable for the CBA sale has been fixed, but it will take place after the federal election, due in early 1996.

Macquarie yesterday reported an interim profit after tax of A$38m (US$28m), up 14.3 per cent from the same period in 1994, while earnings per share increased to 26.4 cents, against 24.7 cents a year ago. Total group assets in the six months to end-September increased by 21.2 per cent, to A$5.6bn, from the end-March figure.

Interest revenue for the period rose modestly from A$150.5m a year ago to A$157.1m, while "other" operating income jumped more substantially from A$163.6m to A$220.8m.

However, operating expenses also rose significantly, from A$144.6m to A$199.3m, leaving pre-tax profits at A$39.2m, compared with A$34.5m previously.

Macquarie said conditions in the "trading markets" had been difficult. Mr Allan Moss, managing director, said stockmarket volatility had been at a four-year low, and trading levels subdued.

The corporate finance and corporate banking groups recorded "very high transaction levels and achieved strong results". They benefited from fairly high levels of corporate activity, growth in infrastructure financing, and corporate work generated by the privatisation of public sector assets.

Looking to the second half, Mr Allan Moss said the group was "optimistic".

Rembrandt increases half-year dividend

By Mark Ashurst in Johannesburg

Rembrandt Group, the tobacco-based conglomerate controlled by South Africa's Rupert family, is raising its dividend after attributable income increased 75 per cent to R673m ($183.6m) in the six months to September 30, from R385m a year earlier.

But Mr Johann Rupert, chairman, warned the improvement was due largely to exceptional losses of R123m last year, mainly due to difficulties at associate Goldfields, the gold mining house.

Such items were "were not a fair indication of the growth in sustainable earnings", he said.

The group's earnings per share after exceptional items rose to 128.9 cents from 73.6 cents, while earnings before exceptional items were 128 cents, against 97.3 cents. The interim dividend is being lifted to 24.5 cents from 19.6 cents.

Rembrandt's increased stake in Metkor Group, the South African steel and engineering company, boosted its turnover to R4.6bn from R2.5bn, including net sales, excise duty, fees, rental and investment income. These were the first results to consolidate returns from Metkor Group and its units since Rembrandt exercised a pre-emptive right to acquire Metkor as a subsidiary on April 1.

Rembrandt's stake in Metkor had increased from 25.8 per cent to 75.7 per cent, requiring additional investment of R101m. Interest bearing debt rose 17 per cent to R1.1bn, of which R783m was long-term.

Excluding Metkor's contribution, group sales increased 12.9 per cent. Operating income before interest and depreciation was up 40.3 per cent at R849m. Excluding income of associated companies not received as dividends, earnings rose 21 per cent to 98.3 cents per share, against 81 cents.

The company has about 60 per cent of the local tobacco market.

The results were released in tandem with confirmation that Rembrandt would merge its tobacco interests with those of Swiss-based holding company Richemont, also controlled by the Rupert family, to form an enlarged Rothmans International Group.

NAB staying on the takeover trail

The bank now has a US foothold for expansion, reports Nikki Tait

National Australia Bank, the largest and strongest of the country's four national banks, has finally hung out the stars and stripes. The Melbourne-based institution last month completed its US$1.55bn acquisition of Michigan National, a Detroit-based regional bank, ending a six-year search for a US foothold.

But long before the champagne corks popped, the pressures on NAB had begun to mount again. Concentration in the US commercial banking market has continued apace since the Michigan National deal was announced in February – even encroaching on to NAB's new Michigan doorstep, via the merger between First Chicago Corp and Detroit-based NBD Bancorp.

As a result, there has been speculation that the Australian institution, which has consistently said Michigan National will be a base for further forays in to the US market, will need to accelerate the acquisition timetable.

Some analysts are also worried that the bank may have paid generously for its first deal, and could find it difficult to extract the necessary operating efficiencies. Others, however, point out that there have been signs of progress on this front and the situation is looking brighter.

Either way, these arguments leave Mr Don Argus, NAB's forthright chief, unimpressed.

"Well, we waited six years for this acquisition," he says, "and you get to see the peaks and the troughs in the market. There's a lot of activity at the moment, but you can make some big mistakes if you don't go about acquisitions in a sensible way."

While Mr Argus concedes that Michigan National was a "beachhead", he says the timing of the next deal would depend entirely "on opportunity and price".

"The opportunity might arise but you might think it's a bit of a clever price. One of the constraints is that shareholders don't like diluting earnings per share."

NAB estimated in February that the Michigan deal would have a "negligible" impact on earnings per share in the short-term.

Some industry-watchers agree it may be over-simplistic to draw implications from recent big US banking mergers for NAB's strategy, which will be aimed at the middle market.

"There's a question over whether NAB can build a successful consumer-oriented operation in the US, but I would draw a distinction with what's been happening at the top end of the market. The pressure will come, but it's not as immediate as it seems," says one analyst at ANZ McCaughan.

That said, most industry-watchers will be interested to see how the bank balances expansion in the US with opportunities elsewhere, since its stated aim is to run a "federation of regional banks", but on an international basis.

The concept, which involved diversifications into the UK and New Zealand in the late-1980s and early 1990s, has served the company well. After-tax profits have risen from A$767m in 1990 to A$1.97bn (US$1.46m) in the year to end-September, with earnings per share doubling from 79 cents to 141 cents. The bank survived the 1990s recession with a flattening, not a fall, in performance.

Mr Argus has stated many times that the bank would like to augment its UK business – based around the Clydesdale, Northern and Yorkshire banks – with a presence in the south-east of England. It was a position reaffirmed last month, when NAB unveiled its annual results, although Mr Argus also jibes that "that's where all the bad debts are".

There is also the Asian strategy to consider. "We dropped the ball in Asia in 1980s, and now we're reinvigorating things. Asia can be a tough market, and I think you have to find a different formula. It will not necessarily be a branch-base strategy; it could be a technology-driven delivery system. That's the sort of thinking that we're doing. I suppose if you have a look at Citibank, what they've done . . . they're doing extremely well."

Asked whether this might involve building operations targeted at niche markets, Mr Argus replies: "We wouldn't walk away from an acquisition if one became available." He notes that the company is looking beyond the banking sector per se, to mutuals and the like.

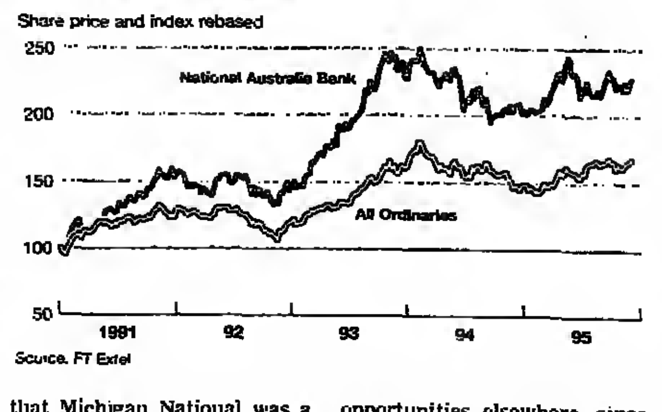
Finally, there is still the question of what moves NAB might make to cement its role in the Australia. The domestic banking sector is in the throes of a shake-out, with Westpac buying Perth-based Challenge Bank, Bank of Scotland acquiring BankWest, and Advance Bank snaring BankSA.

However, a recent ruling by the Trade Practices Commission, Australia's competition watchdog, appeared to require the presence of at least one regional banking competitor, as well as the four national banks, in each state.

If the TPC's rule sticks, the acquisition possibilities for NAB are limited. But in New South Wales the establishment of a "super-regional" bank, via the Advance-BankSA deal, could make Sydney-based St George Bank a possible target. Speculation that NAB might be interested has already run through the market.

Mr Argus doesn't bat an eyelid: "There's things you can do in Australia and things you can't. But we certainly have an interest in the rationalisation process."

National Australia Bank



Source: FT Extel

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Courage adds growth and balance to brewing activities

Acquisition boosts S&N

By Roderick Oram, Consumer Industries Editor

Courage lifted its beer sales 7.5 per cent in the six months to October 29, out-performing the market and the existing brewing business of Scottish & Newcastle, its new owner.

"We picked up a business on the front foot," said Mr Brian Stewart, S&N's chief executive as he reported a rise in S&N's interim pre-tax profits to £154.5m (£145.1m) after a £3.7m (£500,000) charge for reorganisation and loss on disposal of fixed assets.

S&N said it would take a charge in the year ending April of about £80m for integrating Courage into the group and a further charge of £70m in asset write-downs. The process was well advanced and annual savings would be about £75m a year when integration was completed in the financial year ending April 1998.

The cost savings were nearly double the estimate S&N made when it paid Foster's Brewing Group of Australia £443m for Courage earlier this year.

Much of the savings, at the top end of analysts forecasts, are expected to flow through to S&N's profits. Unlike spirits producers which are recycling savings into more advertising, Courage's advertising spending as a percentage of sales is already one of the highest in the industry and roughly double S&N's rate.

S&N has already created organisations for the expanded brewing business for on-trade, national accounts, off-trade, international and head office. This was achieved with no loss of business to competitors, Mr Stewart said. Integration will move upstream into brewing and distribution. The group said it was still studying its options but would give details in January.

Courage's strong sales compared with a rise of about 4.4 per cent in the beer market of the Midlands and southern England. S&N's existing business, heavily tilted towards northern England and Scotland, lifted beer sales by 1 per cent in line with northern markets.

The Courage acquisition brought better geographic balance to S&N's beer business, Mr Stewart said. On sales of £298.9m, Courage contributed £9m to S&N's operating profits from 11 weeks' of post-takeover trading. The existing brewing business contributed £44.8m, down 1.3 per cent, on sales of £459.1m, up 3 per cent.

S&N's pub division reported a 9.7 per cent increase in operating profits to £80.4m on sales up 2 per cent at £371.7m. The growth came from its managed houses where profits rose 14 per cent to £67.4m.

The leisure division reported a 4 per cent rise in profits to £50.9m. Pontins was well ahead. Center Parcs lifted profits 4 per cent but was held back by competition from other forms of short-break holidays and start-up costs of a new facility in Germany.


Trevor Humphries
Brian Stewart with Mark Chiaruttini, head chef at The Maple Leaf themed pub in London

Vodka funds sought by Smirnoff family

By Roderick Oram, Consumer Industries Editor

Descendants of Peter Smirnoff, supplier of vodka to the last Czar, will this week seek to enlist financial and technical help from the international spirits industry to resume large-scale vodka production in Russia.

They will send their offer to establish a Russian joint venture to about nine foreign distillers, convinced they have the legal right to the Smirnoff name and trademark.

The initiative is the latest chapter in a four-year conflict between the group of Smirnoff descendants and Grand Metropolitan, the UK drinks and food group. Smirnoff vodka is one of GrandMet's largest and most profitable brands.

The group, led by Mr Boris Smirnoff, a former KGB officer and a great grandson of Peter, has won several legal victories against GrandMet in the Russian Patent Office and a court in southern Russia, where the descendants have some small-scale vodka production.

GrandMet says it has the support of another, larger group of descendants who dispute Boris's claim. The UK group remains convinced it has proper title to the name and trademark and that it will prevail in higher courts.

Mr William Walker, a US lawyer leading the Boris Smirnoff group's legal fight and search for an investor, said: "We are offering international distillers the opportunity to participate with us in producing vodka in Russia, potentially the largest and one of the fastest growing markets in the world.

"Western markets are in long-term decline but Russia holds tremendous opportunity."

The dispute stems from the 1933 purchase by Heublein, a US company subsequently acquired by GrandMet, of the rights to the Smirnoff name.

Court proceedings continue this week in Moscow, where Heublein is appealing against patent office rulings in favour of Boris's trademark claims, and in Krimsk, where Heublein is also appealing against a court ruling upholding Boris's claims.

Sale of jewellery activity behind Oriflame's rise

By Motoko Rich

Strong growth in Portugal, Chile and Peru helped Oriflame, the door-to-door cosmetics group, raise interim pre-tax profits 27 per cent from £6.3m to £8m ($13m).

In the six months to September 30, the group achieved flat turnover of £40.5m. Mr Hakan Martensson, finance director, said this was due to the absence of sales from its jewellery division, sold in October 1994.

Direct sales increased by 17 per cent, with sales in Portugal and Chile surging 60 per cent.

The group said focusing on cosmetics had helped margins expand from 15.5 per cent to 19.7 per cent.

Royalty and licence income rose to £1.31m (£1.03m) and the share in the results of associated companies – mainly Oresa, the group's eastern Europe operation – increased from £988,000 to £1.45m, reflecting stronger growth in emerging markets. The group takes about 40 per cent of Oresa's profits.

Mr Robert af Jochnick, chief executive, said the group was stepping up its expansion into emerging markets, with plans to open operations in India, Ecuador and Brazil this year. Mr af Jochnick said the group planned to enter three to five new markets within five years.

The group was also looking to build networks in Morocco, Tunisia, Egypt, South Africa and China.

He said the company had already conducted feasibility studies for more than two years in China, which it considered to be the largest potential market.

Mr af Jochnick said the group intended to open operations in China within three years.

Mr Martensson said the group hoped to generate compound annual growth of about 15 to 20 per cent over the next few years.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Acal	6 mths to Sept 30	61.8	(50.3)	4.45	(3.47)	13	(10.5)	2.75	Feb 1	2.44	-	7.44
Alba	6 mths to Sept 30	89.4	(83.5)	2.58	(2.03)	4.27	(3.48)	1.25	Apr 29	1.1	-	5.3
Allen	6 mths to Oct 1	55.5	(49.4)	3.6	(2.74)	7.43	(6.48)	2.5	Jan 26	2	-	5.5
ARS	6 mths to Sept 30	13.5	(8.46)	1.2	(1.07)	5.5†	(5.5)	0.85	Feb 15	0.75	-	3
Bearing Power	Yr to Sept 30	43.4	(36.7)	0.809	(1.05♥)	1.4	(2.4)	.125	Mar 1	1	1.25	1
Carla Inns ф	6 mths to Sept 3	6.39	(5.6)	0.382	(0.425)	8.14	(7.11)	-	-	-	-	2
Faber Prest	Yr to Sept 30	98.9	(79.5)	8.19	(6.83♥)	42.08†	(43.74)	11	Jan 19	10	17	15.5
Get Group	Yr to Aug 31	38.3	(33.7)	2.51	(2.06)	11.22	(11.1)	3.3	Jan 8	-	3.3	-
Hadleigh	6 mths to Sept 29	12.8	(15.7)	0.857	(0.324♠)	6.1	(3L)	1.75	Jan 11	1	-	3
Harris (Philip)	6 mths to Sept 30	55.1	(50.2)	1.77♠	(0.947)	7.14	(5.77)	2.45	Jan 23	2.2	-	7.1
Hazlewood Foods	6 mths to Sept 30	391.8	(428.1)	16.1	(10.7)	5.12	(3.27)	2.4	Jan 23	2.4	-	6.7
Oriflame	6 mths to Sept 30	40.52	(40.49)	7.98	(6.3)	11.7	(9.7)	5	Feb 13	4.9	-	14
Plysu	6 mths to Sept 30	63.3	(44.7)	3.1	(2.85)	4.3	(4)	2	Feb 1	2	-	7
Scottish & Newcastle	6 mths to Oct 29	1,345	(1,011)	154.5♠	(145.1)	21	(20.1)	6.55	Feb 9	6.18	-	18.23
TBI	6 mths to Sept 30	19.2	(18.2)	0.811	(0.703)	3.3	(2.8)	1	Jan 31	0.85	-	2.7
Young (H)	Yr to Sept 30	50.7	(42)	2.01	(1.45)	8.8	(6.5)	2.7	Jan 19	2.4	3.9	3.6

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. §USM stock. фAlm stock.

Littlewoods may open books to all

By David Blackwell

The 32 family shareholders in Littlewoods, the retail and pools group now facing two offers of more than £1bn ($1.59bn) will on Thursday be asked to open the books to all interested parties.

It is understood that Mr Peter Moores, one of the sons of founder Sir John Moores, will put two new resolutions to the extraordinary general meeting that has been called over the £1.2bn offer from Bidco. That offer is led by Mr Barry Dale, a former chief executive, and shareholders are expected to vote against a single resolution that the books should be opened to him.

Mr Moores is expected to propose that shareholders should consider all bids for the whole company or for substantial parts of it. A further resolution will urge the preparation of a sales memorandum giving financial disclosure to potential buyers.

There is no indication that the family will find the latest £1.1bn offer led by Sir David Alliance, chairman of N. Brown, the mail order group, in conjunction with Iceland, the frozen food retailer more attractive than the first. While some are anxious to find out how much the group is worth, others believe the time is not ripe for a sale following a warning that this year's profits will be "some way below" last year's modest £116m, on turnover of £2.72bn.

Sir David is offering £650m in cash or shares for the mail order and pools businesses, while Iceland is offering £450m cash for the chain of 128 stores.

The combination of Littlewoods mail order business with N. Brown would create a group with combined turnover of £1.2bn, second only to GUS.

COMPANY NEWS: UK

T&N to appeal against asbestos case judgment

By Tim Burt

T&N, formerly Britain's largest asbestos producer, is to seek to overturn a High Court judgment ordering it to compensate two cancer victims who contracted the disease aftar playing outside one of its UK plants as children.

The company – which as Turner & Newall operated tha JW Roberts asbestos factory in Armley, Leeds – said it would appeal against the October ruling, which found T&N liable for exposing nearby residents to potentially lethal doses of asbestos dust.

Lawyers acting for the company urged it to appeal, as failure to do so could prejudice its defance against subsequent personal injury claims.

In a statement to the stock exchange, T&N said Mr Justice Holland had accepted its main arguments: "Namely, that during the time the Armley factory was in operation, prior to 1959, neither T&N nor anyone else knew of the potential risks to health arising from low dose exposure to asbestos dust."

The judge, however, ordered the group to pay total compensation of £115,000 to mesothelioma victim Mrs June Hancock and the widow of Mr Arthur Margereson, who died of the cancer, after deciding that T&N had a duty of care not only to its own workers but also to residents.

While contesting the ruling, the company said it would not try to recover the compensation, which has already been paid to solicitors acting for Mrs Hancock and Mrs Margereson.

Irwin Mitchell, acting for Mrs Hancock, accused T&N of distorting the judgment. Mr Adrian Budgen, the partner handling the case, said Mr Justice Holland had ruled that T&N knew there was no safe level of asbestos exposure.

T&N'a appeal comes as a separate legal action against Chase Manhattan Bank moves into its final stages. Chase is seeking some $185m (£117m) in damages over alleged asbestos contamination of its New York headquarters.

Although it expressed confidence in the strength of its case, T&N hinted at an appeal if the jury in the southern district of New York awarded "excessive damages" to Chase.

Cost cutting behind sharp rise at Hazlewood Foods

By Patrick Harverson

The benefits of its long-running restructuring enabled Hazlewood Foods to report a sharp increase in interim profits yesterday, although the group warned that continued difficult trading conditions would limit growth in the second half.

Pre-tax profits rose from £10.7m to £16.1m ($25m), or £12.1m before exceptionals, in the six months to September 30, growth that was achieved despite what Mr Peter Barr, chairman, called "some of the toughest conditions seen in our industry for a generation."

Hazlewood, like other food groups, has seen its margins squeezed this year between rising raw material costs and a competitive consumer market resistant to price increases.

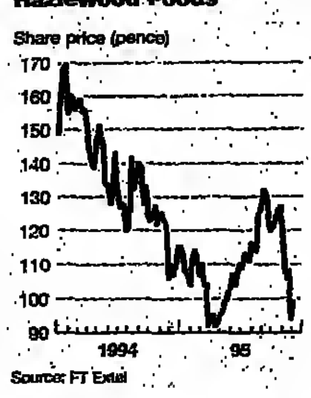
However, profits were up in the latest period because the absenca of the modernisation expenses which restricted profits in the first half last year and the cost-cutting efforts, which boosted operating margins on continuing businesses from 3.6 per cent to 5 per cent.

Turnover fell to £391.8m (£426.1m) following the disposal earlier this year of the shellfish division. Excluding discontinued operations, turnover was up 10.4 per cent.

Of Hazlewood's four remaining divisions, convenience and ready meals saw profits jump to £3.6m (£4.9m) thanks to a strong performance on the continent.

Harvest foods saw profits double to £5.2m (£2.5m) as potatoes recovered from last year's dreadful showing and tomatoes benefited from tha hot summer.

Hazlewood Foods



Source: FT Extel

Nissho denies Amec bid moves

Nissho Iwai, the Japanese trading house, denied yesterday it was seeking to frustrate a £360m ($570m) hostile bid for Amec, the construction and engineering company, in which the Japanese group took a small stake on Friday, write Andrew Taylor and Emiko Terazono.

Kvaerner, the Norwegian shipbuilding and engineering company, is bidding 100p for each Amec ordinary share, valuing the ordinary capital at £202m. It yesterday made an offer worth £158.7m to holders of 172m Amec preference shares.

LEX COMMENT

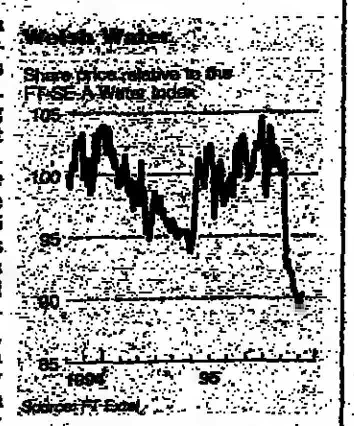
Swalec bid

Swalec's agreement to Welsh Water's bid brings an unexpected end to hostilities between the two companies. In truth, Welsh is offering such a generous price that even Swalec had to accept. Welsh's offer – £9.30 a share in cash plus Swalec's share of the National Grid – is 75 per cent above Swalec's share price in April. Unless it can do spectacularly well at cutting costs from merging the two businesses, Welsh is overpaying. Welsh claims it will do sufficiently well that the deal will ba earnings-enhancing, even by comparison with buying back its own shares. But this ignores the fact that many of the cost savings could have been achieved through a joint venture. And the deal is a much riskier way to enhance earnings than a share buy-back.

The main danger is that Welsh'a management has bitten off more than it can chew. Suddenly it is in charge of a mini-conglomerate – encompassing not only electricity and water, but also gas supply, power generation, cable television, road design and contracting. Combining the electricity and water supply businesses will be a huge project: the computer systems, for instance, are incompatible.

Welsh has not only to deliver savings but also to deliver them on time. Shareholders will benefit only until the regulator transfers the savings to customers following his next regulatory review. Since Welsh refuses to say how much it hopes to cut, let alone when, shareholders are being asked to take a great deal on trust.

Welsh Water



Source: FT Extel

Welsh Water wins Swalec bid battle

By Peggy Hollinger

Welsh Water has won South Wales Electricity with an 11th-hour bid which values the power company at about £872m ($1.38bn).

The recommended bid is the second offer by a water company for an electricity group following North West Water's £1.bn takeover of Norweb last month.

The 940p cash and share offer is among the more generous bids seen so far in the electricity sector. Mr Iain Evans, Welsh Water chairman, acknowledged his company was paying a "full price for Swalec".

However, he was confident the combination would provide significant benefits to both companies' shareholders.

The two companies reached agreement in the early hours of yesterday morning after weeks of wrangling over price. On Thursday, Swalec had rejected Welsh Water's final informal offer of 916p in cash and shares, or £851m. Welsh Water, which has nursed ambitions to take over Swalec since 1991, had planned to launch a hostile bid yesterday at that level if it could not get the target's recommendation.

In tha end, Welsh Water nudged up the offer price to 940p in cash and shares – one new water share and £40.25 cash for every five of Swalec's – or a cash bid of 930p. To investors eligible for tax credits, the deal values Swalec shares at 965p. The offer excludes the 194p net value of the National Grid.

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COMMODITIES AND AGRICULTURE

Nickel prices forecast to settle at lower level

By Kenneth Gooding, Mining Correspondent, in Kalgoorlie

Nickel prices will not average US$4 a pound in future as they have for the past 25 years, said Mr Mark Cutafani, operations manager, nickel, for Western Mining Corporation, Australia's biggest producer of the metal, yesterday.

At the same time, producers are relentlessly driving down costs. They have dropped by a steady annual 1.5 to 2 per cent in the past, "and I see no reason why this should not continue", he said at the Australian Nickel Conference.

The outlook for nickel demand was positive, said Mr Cutafani, and annual growth for both nickel and stainless steel, which absorbs about 70 per cent of nickel production, would continue at 3.5 per cent.

However, although that represented an extra 30,000 tonnes a year, WMC could identify 72,000 tonnes of existing spare capacity, which would take care of two years' growth, while projects already committed would add another 76,000 tonnes. On top of that there were other projects totalling 315,000 tonnes of capacity "being talked about".

Prices in future would average between $3 and $4 a pound, he suggested, and the peaks and troughs would be shallower. "Anyone expecting nickel to average $4 a pound will be disappointed."

But cash production costs were coming down. A recent study by consultants Brook Hunt forecast that the industry's costs would fall between 1995 and 2005 from $2 to $1.75 pound but Mr Cutafani suggested that probably did not take account of the impact on the industry's average of the Voisey Bay project in Canada, a huge and very low cost project scheduled to come into production early next decade.

Stainless steel prices had also been falling steadily, making it more competitive against other construction materials. That helped to explain the extremely strong rate of demand growth in recent years. As nickel accounts for about 25 per cent of the cost of producing stainless, low nickel prices would help ensure that demand for that type of steel continued to grow.

Significant gas find made in Bangladesh

By Mark Nicholson in Dhaka

Bangladesh's state-owned energy company has made a "very significant" gas discovery in the south islands on the tip of the Bay of Bengal, the first gas find in the area.

The find, by Bapex, a subsidiary of PetroBangla, the state energy group, at Bhola, will increase by at least 10 per cent the country's known reserves of 10,000bn standard cubic feet, according to Mr Khandaker Mosharraf Hossain, minister of energy and mineral resources. It will become Bangladesh's 18th commercial gasfield and has increased official optimism over the future of the country's only big energy resource. "We are very hopeful the discovery at Bhola will be the first of a series," said Mr Hossain.

The Bhola find, the fruit of a single exploratory well, is the first commercial deposit to be discovered in the country's central southern region. The country's other gasfields lie along the eastern border.

Hopes of further finds rest on the optimism of foreign oil and gas companies, which are beginning to return to Bangladesh after a two-decade absence. As part of its liberalising reforms, and in a drive to meet a near eight-fold rise in expected domestic gas demand to 5.5 cu ft a day by 2020, the government in 1993 offered several of the country's 23 blocks for production sharing.

Agreements have been signed with three groups covering seven blocks, onshore and off. Occidental of the US (with three blocks) and Cairns Energy & Holland Sea Search, a UK-Netherlands combine (also with two) are both preparing to start exploratory drilling. CE &HSS is towing an offshore rig into the Bay of Bengal to begin drilling within the next few weeks.

Bangladesh has also initialled an agreement with Rexwood Okland of the US for a further two blocks. The three foreign groups have committed a total of $98.54m for a seven-year exploration programme.

Mr Hossain said bidding documents were being prepared for the offer of 16 further blocks early next year. He said the government was already in talks with several international energy companies, including Shell.

The Bangladesh government has in the past two years reformulated terms and pricing for production sharing agreements, estimating that the sector will require $3.7bn worth of fresh investment in exploration to meet demand by 2020. Demand for gas is expected to outstrip present supplies of 750,000 cu ft a day by at least 250,000 cu ft a day by 2000.

Gas exploration has remained a state preserve since 1975, when half a dozen international companies prospecting in the Bay of Bengal wound up operations, disillusioned with poor incentives and political uncertainty.

"We were suffering from an image problem," said Mr Hossain. "Now that companies such as Occidental have come in, the ice has been broken. Many of the big names in oil and gas are now becoming interested."

The government has speeded investment approvals, allowed full repatriation of profits, abolished administration and signing fees for gas concessions and also duties on imports of exploration equipment. The government says it will assure domestic commercial outlets for commercial gas fields within 12 months, thereafter allowing developers to find their own.

Associated gas is priced on a cost-plus basis under the government's reformed policies, while onshore non-associated gas is priced at 75 per cent of world prices for high sulphur heavy fuel oil. Offshore non-associated gas is priced at a 25 par cent premium over onshore.

Some 43 per cent of Bangladesh's gas feeds the country's power stations, 88 per cent of which are gas-fired, with 34 per cent used as feedstock to the domestic fertiliser industry.

Bigger Chinese cotton crop estimated

By Laurie Morse in Chicago

The Washington-based International Cotton Advisory Council has increased its estimate of this season's cotton production in China, and made corresponding cuts to China's projected cotton import requirements. The council has also lowered its predictions for average cotton prices for the next two seasons.

The ICAC, which represents 42 cotton producing or trading countries, said it had increased its world cotton production estimate for the 1995-96 season to 19.6m tonnes because of improving prospects in China, and forecast world production at 20m tonnes for the 1996-97 production year because of further expected planting gains linked to above-average prices.

For China, the ICAC estimated 1995-96 cotton production at 4.35m tonnes, up from its October estimate of 3.85m tonnes. As a result it cut its forecast for China's cotton import oeeds by 100,000 tonne to 500,000 tonnes, this year, and said China's cotton imports would fall to 200,000 tonnes in 1996-97.

By the end of the 1996-97 marketing year, the ICAC said, it expected world cotton stocks to rise to 9.39m tonnes, from 8.02m this year. As as result, the average Cotlook A price index was forecast by the ICAC secretariat to deline to 83 US cents a pound in 1996, from 94 cents this year and to 72 cents in 1997.

EU still on horns of beef hormone dilemma

Scientists have vindicated the growth promoters but consumer resistance remains

FARMER'S VIEWPOINT

By David Richardson

There never was any scientific justification for banning, throughout the European Union, the use of a group of approved growth-promoting hormones for beef cattle. The ban was imposed for political and economic purposes. At the time – ten years ago – the EU had a "beef mountain" held in expensive cold stores and consumer pressure to outlaw products perceived as possible health hazards was intense. A scientific study, requested and funded by the European Commission, was not even considered.

Last week, at a conference in Brussels to review the current situation, the 10-year-old scientific study was finally accepted and vindicated. The scientist who had supervised it, Professor Eric Lamming, a livestock specialist at the University of Nottingham, is delighted. But that does not mean beef hormones will automatically become acceptable again, nor is it the end of the affair.

Farmers used the products in the first place to enhance growth rates and to produce carcasses that contained a higher proportion of lean meat. Not only were the animals potentially more profitable it was argued, but the meat, with its lower cholesterol content, was also more healthy to eat.

Much of the antagonism to the concept of using hormones was based on the irresponsible use, especially in Italy in the 1970s, of derivatives of stilbenes and thyrostatic substances. In one well publicised and presumably substantially accurate case such a prodnct was said to have been injected into the rump of a veal calf shortly before slaughter. It was, therefore, concentrated into a small quantity of meat which was subsequently eaten by a boy who was later reported to have begun to have developed breasts.

Horror stories such as that were bound to create aversion to beef hormones. In normal approved practice, however, synthetic or natural tested and approved hormones were contained in slow release capsules and inserted into an animal's ear. The ears were discarded at slaughter and in any case there was a apecified withdrawal period after insertion before which the animal could not be slaughtered.

Many things have changed since the 1985 ban. For instance, there is no longer a beef mountain in the EU. According to the latest information on so-called "intervention stocks", that is surplus beef bought by the Eu to support the market price the union's total stock of beef this autumn is a mere 12,000 tonnes. Of greater significance, the EU has also signed the Uruguay Round settlement of General Agreement on Tariffs and Trade.

The implications of that accord were the main motivation behind last week's conference. Selected growth-promoting hormones are in common use by beef producers in many of the signatory countries to the agreement, especially the US. The ban on their use in the EU has, of course, been accompanied by a ban on imports into the union of beef treated with them. This, say US officials, has cost them an estimated $100m a year in lost exports and amount to an unjustified barrier to trade.

Furthermore, the US has threatened, if the ban is not lifted by the end of this year, to take the matter to the World Trade Organisation, which supervises the freer trading terms of the Gatt settlement, for adjudication.

Clearly, following last week's acceptance of the scientific vindication of hormones as legitimate and safe it is likely that, should the EU try to maintain its position of banning imports of beef treated with hormones it would lose the case. Nevertheless, as was emphasised at the Brussels conference, consumer concern across the EU continues and this cannot be ignored.

Significantly, many farmers are also now against the reintroduction of beef hormones. For even though some may have happily used them previously to the EU ban they now see two main objections. One is that legalisation would, under the terms of Gatt, immediately enable cheap American and other beef to enter the EU and undermine their prices. The other is the realisation that if beef sales are to be maintained, consumer demands must be recognised and responded to – and at present the beef business has more than enough problems with "mad cow disease" without adding another possible disincentive to buy.

The fact that hormones have now been officially judged safe will not convert most consumers to trust them overnight. Like radiation and bovine somatotropin, the milk yield-boosting prodnct for dairy cows, which is also being used in many other countries, including the US, the word hormone has registered with many as undesirable and that will be difficult and slow to change.

Nevertheless, having been challenged by the US and having finally accepted the scientific evidence, the EU will have to do something. Union officials are also acutely aware that during the period of the hormone ban a black market, often involving sub-standard and possibly genuinely dangerous hormona substitutes, has built up in some countries. Like American prohibition or the worldwide drugs trade this has led to uncontrolled use, crime and occasionally violence which really are a threat to health.

Mr Franz Fischler, the EU agriculture commissioner, said at the conference last week that he hoped to find a "middle way" through the problem. What this maans is not entirely clear but could be interpreted as bowing to the inevitable and permitting US and other imports but insisting that it be labelled. That way European consumers would be abla to exercise choice and demonstrate whether or not they were ready for hormones.

Meanwhile, should EU farmers once more be allowed to use them? For if the ban on their use were to continue in the union its farmers would surely be unfairly disadvantaged. Perhaps the answer lies in a slow transition allowing EU public opinion to adjust to the concept that hormones are all right after all and for new, even safer growth promoting products now in development, to be launched. But does Mr Fischler have that much time?

Moreover, does he have the wisdom of Solomon? For he will certainly need it to sort out this problem.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1650.5-51.5	1688-89
Previous	1657-8	1694-5
High/low		1692/1686
AM Official	1651-51.5	1689-89.5
Kerb close		1687-8
Open int.	221,962	
Total daily turnover	45,965	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1415-20	1455-58
Previous	1405-15	1445-50
High/low		1455/1450
AM Official	1405-10	1445-50
Kerb close		1455-60
Open int.	4,666	
Total daily turnover	1,331	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	752.5-4.5	724-25
Previous	756.5-8.5	728-9
High/low	760/755	725/719
AM Official	760-61	724-25
Kerb close		724-5
Open int.	31,128	
Total daily turnover	7,908	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7890-900	8000-30
Previous	9110-70	8240-50
High/low		8020/7960
AM Official	7975-85	8105-15
Kerb close		7970-80
Open int.	43,668	
Total daily turnover	14,675	

■ TIN ($ per tonne)

	Cash	3 mths
[illegible]	[illegible]	[illegible]

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
[illegible]	[illegible]	[illegible]

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
[illegible]	[illegible]	[illegible]

■ LME AM Official £/$ rate: 1.5363

LME Closing £/$ rate: 1.5330

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

	$ price	£ equiv	SFr equiv
[illegible]	[illegible]	[illegible]	[illegible]

Loco Ldn Mean Gold Lending Rates (Vs US$)

[illegible]	[illegible]	[illegible]	[illegible]

Silver Fix

	p/troy oz.	US cts equiv
[illegible]	[illegible]	[illegible]

Gold Coins

	$ price	£ equiv
Krugerrand	[illegible]	[illegible]
Maple Leaf	[illegible]	
New Sovereign	[illegible]	[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	386.0	-0.1	387.0	385.7	1,032	5,290
Feb	387.2	-0.1	388.4	385.8	16,023	53,429
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	128.10	+1.20	127.80	127.50	91	2,226
Mar	128.95	+1.05	128.75	129.50	44	2,388
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	1550	-20	1580	1546	187	1,323
Apr	1540	-13	1570	1535	81	1,348
Jul	1345	-45	1400	1345	21	801
Oct	1455	-	-	1458	4	156
Jan	1485	+15	-	-	-	21
Total					73	1,372

	Close	Prev
BFI	1821	1834

FUTURES DATA

All futures data supplied by CMS.

Tea

There was strong demand this week reports the Tea Broker's Association. Colourу better liquoring Assams sold well with prices fully firm but others lost 2/3 pence following quality. Bright Burundi and Kenya teas continued strong, often showing further gains. Coloury mediums tended dearer while others were irregular. Plainer types generally advanced. Offshore: good demand with coloury Kenyas appreciating while others remained firm, except for Ceylon which lost ground. Quotations: best available; 195p-260p/kg, good: 145p-185p/kg, good medium; 115p-135p/kg, medium; 88p-115p/kg, low medium; 80p-85p/kg, tea for price 65p-77p/kg. Highest price realised this week was 260p/kg, for a burundi pd.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	894	+1	895	894	17	426
Mar	933	+2	934	926	1,398	38,824
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Dec 1	[illegible]	[illegible]
Daily	[illegible]	[illegible]

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COFFEE (ICO) (US cents/pound)

	Price	Prev. day
Dec 1	[illegible]	[illegible]
Comp. daily	[illegible]	[illegible]
15 day average	[illegible]	[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	87.60	+0.82	88.00	86.80	392	1,868
Mar	86.30	+0.47	87.00	85.85	3,418	25,082
May	85.86	+0.38	86.35	85.60	812	9,281
Jul	85.50	+0.34	86.00	85.30	689	6,639
Oct	80.60	+0.31	80.80	80.30	97	1,494
Dec	78.15	+0.62	78.15	77.65	96	8,094
Total					8,045	24,781

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	125.30	-0.85	126.15	125.25	1,576	16,276
Mar	128.25	-0.90	129.25	128.15	582	5,671
May	130.55	-0.60	131.50	130.75	86	1,450
Jul	132.80	-0.15	132.90	132.75	6	677
Sep	135.25	+1.20	-	-	9	756
Nov	134.25	+1.20	-	133.00	50	450
Total					2,330	27,875

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Dec 4	Dec 1	month ago	year ago
2147.5	2151.4	2132.8	2161.4

■ CRB Futures (Base: 1967=100)

Dec 1	Nov 30	month ago	year ago
241.65	241.61	-	-

■ GSCI Spot (Base: 1970=100)

Dec 1	Nov 30	month ago	year ago
189.70	187.93	183.53	174.18

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	68.425	-0.050	68.650	68.125	5,204	15,834
Feb	68.675	-0.150	68.775	68.300	9,505	30,217
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Dec	Feb	Dec	Feb
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
■ COPPER (Grade A) LME	Dec	Feb	Dec	Feb
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
■ COFFEE LCE	Jan	Mar	Jan	Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
■ COCOA LCE	Mar	May	Mar	May
875	69	95	11	16
900	51	78	15	25
925	36	63	28	36
■ BRENT CRUDE IPE	Jan	Feb	Jan	Feb
1650	82	-	3	15
1700	37	36	9	36
1750	9	16	-	84

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jan)

		+or-
Dubai	$16.53-6.63w	+0.295
Brent Blend (dated)	$17.34-7.36	+0.170
Brent Blend (Jan)	$17.37-7.39	+0.240
W.T.I. (1pm est)	$18.55-8.57w	+0.245

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$172-174	-0.5
Gas Oil	$166-167	+6
Heavy Fuel Oil	$94-96	+4.5
Naphtha	$155-158	+3.5
Jet fuel	$187-188	+7
Diesel	$169-170	+4.5

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$386.30	-0.25
Silver (per troy oz)♣	522.5c	+0.5
Platinum (per troy oz.)	$410.60	+0.40
Palladium (per troy oz.)	$130.00	-2.15
Copper	125.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.68m	-0.05
Tin (New York)	292.5c	-4.0
Cattle (live weight)†	122.17p	-2.57*
Sheep (live weight)†♦	119.33p	+5.85*
Pigs (live weight)†	99.23p	-0.80*
Lon. day sugar (raw)	$314.6	+7.7
Lon. day sugar (wte)	$390.0	+1.5
Barley (Eng. feed)	£121.25	
Maize (US No3 Yellow)	£105.5w	
Wheat (US Dark North)	Unq	
Rubber (Jan)♥	109.00p	-3.00
Rubber (Feb)♥	109.00p	-3.00
Rubber (KL RSS No1)	416.5m	-8.5
Coconut Oil (Phil)§	$727.5y	+5.0
Palm Oil (Malay.)§	$510.0z	+12.5
Copra (Phil)§	460.0y	-10.0
Soyabeans (US)	203.0u	-1.0
Cotton Outlook'A' Index	89.05c	+0.40
Wooltops (64s Super)	427p	+7

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Dec. u Nov/Dec.♥ w Jan. y Dec/Jan. x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♦ Sheep (Live weight prices). * Change on week † Prices are for previous day.

CROSSWORD

No.8,936 Set by ALAUN

ACROSS

1 Rabbit honter with rifle (6)
4 A dependant waiting at the other end of the telephone? (6-2)
9 At the inn, terribly drunk yet very old (6)
10 A move south from a big job to a little one? (8)
12 "A fellow criminal" is perfect (8)
13 Upset, shake (6)
15 Shoot across to prepare the bed (4)
16 Don't be tough on the rickety card table? (4,6)
19 From below, rise and grasp (10)
20 For heaven's sake get along and not another word! (4)
23 Pass on the story, but give it a different ending (6)
25 Nips back home first, in a state of agitation (4,4)
27 Seen on an autumnal tree, it's very decorative (4,4)
28 In which the songbird is, when halfway through its song? (6)
29 For the records, go to making a room look opulent (8)
30 Said yes, it could lead to obesity (6)

DOWN

1 Rule in favour of, you learn, because of (4,3)
2 Looked for and went for a run and got dismissed (9)
3 Once baving lost badly, cracks up (6)
5 For a male, it's tiny (4)
6 The temples are a part little is known about (4,4)
7 A bar lit upon at night (5)
8 Mother's home! (7)
11 Says "Royal possessions" will cover it (7)
14 How the worthless raffle ticket stared up at you? (7)
17 Accepted the position, as it happened (4,5)
18 The things people read! (8)
19 It's the post – honest! (7)
21 How many started compos and ended manic? (7)
22 A whole succession on the way round (6)
24 For Mademoiselle, you have the impertinence to produce a flower (5)
26 To be honest, it's neither good nor bad (4)

Solution to Saturday's prize puzzle on Saturday December 16.
Solution to yesterday's prize puzzle on Monday December 18.

JOTTER PAD

INTERNATIONAL CAPITAL MARKETS

US long bond yield moves close to 6%

By Lisa Bransten in New York and Antonia Sharpe in London

The benchmark 30-year Treasury yield moved towards 6 per cent in early trading yesterday as bonds continued the rally begun early last week.

Near midday, the 30-year Treasury was up ⅞ at 110¼ to yield 6.02 per cent. The lowest yield no the 30-year bond in the past three years was 5.78 per cent in mid-October 1993. At the short end of the maturity spectrum, the two-year note rose 1/32 tn 100⅟₁₆ to yield 5.291 per cent.

Mr Richard Gilhooly, international fixed-incnme strategist at Paribas Capital Markets, said be bad seen "aggressive" buying by money managers rushing to catch up with the soaring market.

Until last week, money managers who have made stellar returns had put some money intn cash, Mr Gilhooly said. But as the rally continued on the bnnd market and their portfolios began to lag the indices they are cnmpared with, some mnney has come nut of cash and back intn the market. "The returns [so far this year] have been huge, but they're measured against their benchmark," he added.

Last week's rally was sparked by hopes that the recent spate of weak economic data would spur the Federal Reserve to lnwer interest rates and hy growing confidence that the president and Congress would agree to a deficit-cutting budget package.

Bonds got no support from the dollar, which slipped in early trading against the D-Mark and yen. The US currency was changing hands at DM1.4385 and Y101.01 compared with DM1.4460 and Y101.15 late nn Friday.

■ French bnnds weakened ahead of the government's cabinet meeting nn how to end public-sector strikes that are crippling the country.

Altbnugh the government has said it will stand firm against the uninns, analysts said the market was preparing for some sort of compromise on social welfare reform.

"A government defeat would be taken badly by the markets and by the Maastricht hardliners in Germany," said Mr

GOVERNMENT BONDS

Mark Cliffe, chief international ecnnomist at HSBC Markets. "The market faces substantial downside in the near term unless the government can face down the unions."

Mr Graham McDevitt, bond strategist at Paribas Capital Markets said the market was pricing in a worst-case scenario. The yield spread widened to abnut 91 basis points yesterday from 81 points on Friday and cnmpared with about 64 points at the start of last week.

"The normal trading range for France is 60–80 basis points over Germany but we are nnw into the crisis range of 80–110 basis points," he said. Dashed hnpes of an early rate cut caused the short end of the yield curve to fall further than the lnng end, resulting in a flattening of abont 40 points.

Yesterday, the yield on two-year paper rose to 5.70 per cent from 5.30 per cent on Friday but Mr McDevitt noted that it was still below the 6.30 per cent reached during the French currency crisis in October. On the Matif, the December 10-year future fell 0.40 to 118.98.

■ The French market's fears rippled out to other European markets, notahly Italy, Spain, and less justifiably so to Denmark. Their weakness caused Germany to out-perform, bolstered hy the Bundeshank's decision to leave nfficial interest rates unchanged last week.

Analysts said that nnw interest rats speculation had died down in Germany, it would be difficult for othsr European markets to see a further narrowing of their yield spreads.

The other market tn outperform was Sweden, where the yield spread over Germany came in by 5 basis points to 256 points follnwing weekend comments by the central bank governor that the strong krona could allow it to cut interest rates.

■ Gilts came off their early highs as dealers prepared for tomorrow's £3bn auction of 7.5 per cent gilts due 2006. On Liffe, the March long gilt future eased 1/32 to 109 11/16 in volume of nearly 40,000 contracts while the spread over bunds widened to 159 basis points from 157 points on Friday.

Tomorrow, dealers will have just half an hour after the release nf October's industrial productinn and manufacturing output data to decide what to hid in the auction.

S&P lifts Israel debt rating ahead of Yankee

By Julian Ozanne in Jerusalem and Lisa Bransten in New York

Standard & Poor's, the US-based credit rating agency, yesterday upgraded the State of Israel's foreign currency credit rating from tripls B plus to single A minus and assigned the new rating to Israel's first sovereign international public debt issue.

Israel's rated Yankee bond issue, to be completed by ths end of this week and expected to raise $200m, is tbe first independent bond issue by the Jewish state to be sold without the backing of the US government or another guarantee.

Earlier this year, Israeli Treasury officials said they believed sncb an upgrade would allow them to shave about 10 basis points off interest payments on the Yankee.

Last month, Moody's Investors Service assigned Israel an equivalent rating of A3. Both ratings reflect assumptions of a strong payment capacity.

Israel is not short of foreign currency as it continnes to draw on $10bn of US loan guarantees spread over five years from 1992. But the Yankee bond issue marks the government's determination to establish a sovereign presence on tbe international capital markets in preparation for the end of US guarantees.

Mr Cem Karacadag of S&P said tbe issue marked the beginning of the process of "getting Israel on its own financially independent feet."

Both Moody's and S&P said their ratings reflected growing confidence that Israel would continne to lower its pnblic debt in relation to GDP.

S&P estimated Israel's debt burden would fall to 114 per cent of GDP this year. "It's still high, but what is important about it is that it is going down," Mr Karacadag said.

Australia leads bond league table

By Conner Middelmann and Antonia Sharpe

International government bond markets had s strong month in November, with the J.P. Morgan Government Bond Index returning 1.87 per cent.

After being the worst performer in October, Australia pnt in the strongest performance, returning 3.41 per cent in local currency terms. It is also the best performer for ths year to date, up 19.10 per cent.

In Ireland, anticipation of a new market-making system increased liquidity in the market which, along with low supply and borrowing, led to a 3.38 per cent return.

European markets posted gains on an expected slowdown in economic growth and rate cut hopes. The European Bond Index returned 2.41 per cent.

Canada's bond market returned 2.59 per cent in November, helped by the perception that another Quehec referendum is unlikely until next year, and by the rally in US Treasnries. Canada is the second-best performing market in the year to date, having gained 18.36 per cent.

US bonds posted s return of 1.48 per cent, and Japanese bonds 1.11 per cent.

● For the first time this year, European mutual funds were net sellers of domestic equities in October. By contrast mutual funds throughout Europe remainsd strong buyers of fixed-income based funds.

J.P. Morgan said falling interest in equities could reflect the poor performance of European equities between August and October while European bond yields have been falling. "We do not expect the recent volatility of markets to alter the current trend in investor flows," it said.

French and Italian mutual funds sold about $400m of domestic equities while German and UK funds purchased only $300m of domestic shares.

Italian and Spanish investors were net buyers for the third month while UK retail investment reached £173m.

France was the only exception, with a record level of redemptions of FFr8.7bn.

In the US, flows into domestic equity funds slowed to $9.3bn from a record $13.2bn in Septsmher. US fixed-incoms funds took in $3.8bn, the highest inflow so far this year.

In the UK, net subscriptions to mutual funds fell to £597m in October, down about one-third from their high in July.

Derivatives volume ahead

By Antonia Sharpe

The volume of new business in swaps and other privstely-negotiated derivatives rose to $4,258bn in the first half of this year from $3,919bn in the same period of 1994, according to the International Swaps and Derivatives Association.

Based on data from 61 dealer members, an ISDA survey showed the notional principal of outstanding transactions, or cash flows under derivatives contracts, increased to $13,923bn from $11,303bn.

Interest-rate swaps outstanding at mid-year climbed in notional principal to $10,817bn from $8,816bn while new business written from January to June rose to $3,429bn from $3,058bn.

Outstanding currency swaps rose to $1,040bn from $914.8bn but new activity fell to $153.8bn from $198.3bn. Yen outstandings in both interest-rate and currency swaps showed the strongest growth, increasing by 47.9 per cent and 51 per cent respectively from the year-earlier period.

Warm reception for INI Finance offering

By Conner Middelmann

The long-awaited $500m issue of five-year bnuds for INI Finance, the funding arm of the new Spanisb state industrial bolding company, Sociedad Estatal de Participaciones Industriales, received a warm reception yesterday.

INTERNATIONAL BONDS

According to book-runner Mnrgan Stanley, the deal was placed among a wide range of institutional investors and central banks, and was substantially oversubscribed.

The pricing – offering a yield of 26 basis points over Treasuries at the re-offer price – was widely deemed as fair. Moreover, investors were attracted by the issue's government guarantee – the last Sepi bonds to carry state backing.

Banqne Nationale de Paris issued $250m of five-year bonds targeted at European institutions and backed by "sizeable lead orders", lead manager BNP Capital Markets said. Priced to yield 35 basis points over Treasuries, the spread widened to 39 points on the latest surge in US Treasuries.

Today, the dollar sector is expecting a $500m, five-year floating-rate unte issue from Swedish mortgage bank Spintab via Morgan Stanley.

Elsewhere, Daimler-Benz Nortb America tapped the South African rand sector with R150m of 14 per cent five-year bonds via Deutsche Morgan Grenfell. Proceeds were believed to have been swapped into floating-rate dollars. The lead manager reported good demand from Germany, Switzerland and Luxembourg.

In the D-Mark sector, Banqne Française du Commerce Exterieur issued DM600m of five-year bonds. Yielding 26 basis points over the German benchmark bond, the issue was deemed too tightly priced. "I think 30 over would have been more appropriate," said one dealer.

Others said the government guarantee and the borrower's rarity should belp the issue, though retail investors were unlikely to be hig buyers. Lead manager CSFB Effectenbank reported strong institutional sales, including to central banks and supranationals.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
INI Finance	500	5.75	99.837R	Dec.2000	0.25R	+26(5⅝%-00)	Morgan Stanley & Co.Intl.
Banque Nationale de Paris	250	5.75	99.271R	Dec.2000	0.30R	+35(5⅝%-00)	BNP Capital Markets
Student Loan Mktg.Assoc.(a)	100	6.65#	100.00R	Jun.2002	0.225R	+109(7½%-02)	Paribas Capital Markets
D-MARKS							
State of Sachsen-Anhalt(s)	1bn	5.125	100.36	Jan.2001	0.875	-	T&B/Dresdnr/NordLB/Sachsen
BFCE	600	5.125	99.861R	Dec.2000	0.25R	+24(5⅝%-00)	CSFB-Effectenbank
Cofin International(l)*	300	4.384	100.28	Dec.1998	1.50	-	Yamaichi Bank(Deutschland)
LUXEMBOURG FRANCS							
De NIB	2bn	5.75	102.60	Jan.2001	1.75	-	Crdt.Européen/ Kredietbank
ITALIAN LIRE							
IRIS No.3, 2000‡	220bn	(b1,s)	99.93R	Oct.2000	0.275R	-	Paribas Capital Markets
IRIS No.3, 2001‡	125bn	(b2,s)	99.96R	Oct.2001	0.305R	-	Paribas Capital Markets
IRIS No.3, 2003‡	105bn	(b3,s)	99.845R	Oct.2003	0.375R	-	Paribas Capital Markets
DANISH KRONER							
Mortgage Bank of Denmark	400	7.00	101.875	Jan.2003	1.875	-	Unibank
SOUTH AFRICAN RAND							
Daimler-Benz North America	150	14.00	100.98	Jan.2001	1.50	-	Deutsche Morgan Grenfell

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Callable on any coupon date at par. b1) 3-mth Libor +30bp. b2) 3-mth Libor +35bp. b3) 3-mth Libor +40bp. l) Long 1st coupon. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		7.500	07/05	96.1600	-0.450	8.08	8.23	8.67
Austria		6.500	11/05	99.6500	+0.200	6.55	6.65	6.94
Belgium		6.500	03/05	98.6900	-0.130	6.63	6.69	7.02
Canada *		8.750	12/05	111.5700	+0.690	7.11	7.31	7.87
Denmark		7.000	12/04	98.1600	+0.080	7.29	7.34	7.85
France	BTAN	7.750	04/00	105.5000	-0.500	6.24	5.93	6.84
	OAT	7.750	10/05	105.3200	-0.420	6.99	6.83	7.44
Germany Bund		6.500	10/05	102.9500	+0.170	6.09	6.20	6.46
Ireland		8.250	10/04	92.1500	-0.250	7.49	7.51	8.13
Italy		10.500	09/05	96.3100	-0.270	11.12†	11.10	11.91
Japan	No 129	6.400	03/00	120.4420	-0.050	1.34	1.30	1.58
	No 174	4.600	09/04	113.8430	+0.110	2.66	2.67	2.87
Netherlands		6.750	11/05	104.6800	-	6.11	6.22	6.53
Portugal		11.875	02/05	103.1500	+0.440	10.27	10.28	11.25
Spain		10.150	01/06	98.4200	-0.160	10.17	10.16	10.91
Sweden		6.000	02/05	83.6020	+0.330	8.66	8.69	9.17
UK Gilts		8.000	12/00	104-24	-	6.86	6.93	7.49
		8.500	12/05	106-25	-1/32	7.52	7.53	8.04
		9.000	10/08	110-20	-2/32	7.68	7.68	8.16
US Treasury *		5.875	11/05	101-24	+19/32	5.64	5.89	5.99
		6.875	08/25	111-20	+42/32	6.03	6.23	6.32
ECU (French Govt)		7.500	04/05	101.9100	-0.380	7.20	7.07	7.68

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.55	Two year	5.32
Prime rate	8¾	Two month	5.49	Three year	5.36
Broker loan rate	7½	Three month	5.45	Five year	5.48
Fed.funds	5¾	Six month	5.44	10-year	5.68
Fed.funds at intervention.	-	One year	5.34	30-year	6.06

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	118.96	119.00	-0.38	119.14	118.82	111,623	84,758
Mar	118.38	118.50	-0.30	118.60	118.32	21,985	24,658
Jun	118.62	118.74	-0.30	118.68	118.46	837	3,704

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jan	Calls Mar	Calls Jun	Puts Jan	Puts Mar	Puts Jun
116	-	3.06	-	0.16	0.57	0.99
117	-	2.35	-	0.35	0.84	-
118	1.12	1.71	-	0.64	1.21	1.64
119	0.61	1.20	-	1.10	1.68	-
120	0.28	0.75	-	-	-	-

Est. vol. total, Calls 29,483 Puts 20,057. Previous day's open int., Calls 105,931 Puts 96,963.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.17	99.26	+0.18	99.34	99.04	113305	101950
Mar	98.58	98.69	+0.19	98.73	98.44	90159	127215

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
9850	0.55	0.86	1.07	1.25	0.36	0.67	0.88	1.61
9900	0.30	0.62	0.82	1.04	0.61	0.93	1.13	1.90
9950	0.15	0.42	0.61	0.65	0.96	1.23	1.42	2.21

Est. vol. total, Calls 18211 Puts 7698. Previous day's open int., Calls 170311 Puts 125125

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	104.99	104.77	-0.32	105.00	104.50	12067	9756
Mar	104.65	104.33	-0.42	104.65	104.14	28250	33257

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
10400	1.87	2.58	1.64	2.65
10450	1.72	2.34	1.89	2.91
10500	1.49	2.13	2.16	3.20

Est. vol. total, Calls 868 Puts 1428. Previous day's open int., Calls 30193 Puts 22040

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	93.10	92.89	-0.23	93.10	92.65	37,172	39,210
Mar	92.90	92.73	-0.21	92.90	92.62	3,039	7,859

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	110-12	110-10	+0-01	110-12	109-29	13018	52482
Mar	109-26	109-23	-	109-27	109-11	35087	89219

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
109	1-09	1-42	1-62	2-16	0-27	0-60	1-16	2-06
110	0-38	1-08	1-28	1-50	0-56	1-26	1-46	2-40
111	0-16	0-46	1-00	1-25	1-34	2-00	2-16	3-15

Est. vol. total, Calls 1297 Puts 1141. Previous day's open int., Calls 21882 Puts 16772

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	89.90	90.02	-0.30	90.04	89.80	1,050	9,715
Mar	88.76	88.96	-0.28	88.90	88.76	65	545

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	120-01	120-11	+0-13	120-11	119-29	32,729	171,954
Mar	119-24	120-03	+0-13	120-03	119-20	266,997	272,470
Jun	119-10	119-19	+0-12	119-19	119-10	620	13,642

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	122.90	-	-	122.90	122.83	559	0
Mar	121.65	-	-	121.68	121.60	1411	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Dec 4	Day's change %	Fri Dec 1	Accrued interest	xd adj. ytd
1 Up to 5 years (22)	123.51	-0.04	123.55	2.41	9.72
2 5-15 years (22)	149.56	-0.04	149.81	1.71	11.73
3 Over 15 years (8)	167.02	-0.21	167.37	2.76	12.13
4 Irredeemables (6)	190.30	-0.18	190.63	1.15	13.71
5 All stocks (58)	144.81	-0.07	144.91	2.16	11.18

	Low coupon yield Dec 4	Dec 1	Yr. ago	Medium coupon yield Dec 4	Dec 1	Yr. ago	High coupon yield Dec 4	Dec 1	Yr. ago
5 yrs	6.97	6.96	8.48	8.97	8.96	8.50	7.04	7.03	8.67
15 yrs	7.71	7.69	8.39	7.76	7.74	8.52	7.83	7.82	8.75
20 yrs	7.79	7.77	8.34	7.82	7.80	8.52	7.88	7.86	8.65
Irred.†	7.90	7.89	8.40						

Index-linked	Mon Dec 4	Day's change %	Fri Dec 1	Accrued interest	xd adj. ytd
6 Up to 5 years (1)	185.25	+0.01	185.23	0.95	8.37
7 Over 5 years (11)	189.15	+0.01	189.13	1.37	4.45
8 All stocks (12)	189.16	+0.01	189.13	1.36	4.54

	Inflation 5% Dec 4	Dec 1	Yr. ago	Inflation 10% Dec 4	Dec 1	Yr. ago
Up to 5 yrs	2.73	2.72	3.97	1.56	1.57	2.78
Over 5 yrs	3.53	3.52	3.87	3.33	3.33	3.68

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Dec 4	Dec 1	Nov 30	Nov 29	Nov 28	Yr ago	High*	Low*
Govt. Secs. (UK)	95.35	95.65	95.42	95.34	95.09	91.89	95.65	90.22
Fixed Interest	114.07	114.12	113.83	113.92	113.82	109.82	114.66	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Dec 1	Nov 30	Nov 29	Nov 28	Nov 27
Gilt Edged bargains	104.4	109.4	119.6	110.7	100.7
5-day average	109.0	107.6	103.1	97.9	94.0

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on December 4

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	98¾	99½	+⅛	5.56
Abbey Natl Treasury 6½ 00	1000	102	102¼	+⅛	6.15
ABN Amro Bank 7¼ 00	1000	105½	105¾	+½	6.43
Sweden 8 97	2500	107	101¼		4.13
United Kingdom 7¼ 97	5500	105⅛	105⅝		3.90
Volkswagen Intl Fin 7 03	1000	104½	104¾	+⅛	6.22
World Bank 0 15	2000	23¾	28⅞	+⅞	6.42
Abbey Natl Treasury 8 03 £	1000	100⅞	101⅛		7.83
Alliance Leics 11⅛ 97 £	100	106¼	106⅝		6.58
British Land 8⅞ 23 £	150	94⅞	95⅜	-⅛	9.67
Denmark 6¾ 98 £	800	100	100⅛		6.73

UK GILTS PRICES

	Notes	Yield Int	Red	Price £	+ or -	52 week High	Low
Shorts" (Lives up to Five Years)							
Treas 14pc 1996		13.86	6.51	101	-	106⅞	101
15¼pc 1996‡‡		14.73	6.25	108⅛	-⅛	109⅝	103⅛
Exch 13¼pc 1996‡‡		12.86	6.23	103	-⅛	107¼	103
Conversion 10pc 1996		9.67	6.17	103⅛	-⅛	104⅞	103⅛
Treas 13¼pc 1997‡‡		12.33	6.17	107½	-⅛	109⅞	107⅛
Exch 10½pc 1997		10.01	6.12	104⅞	-⅛	105⅝	104⅛
Treas Cnv 7pc 1997‡‡		6.92	6.18	101⅛	-⅛	101⅛	97⅛

	Notes	Yield Int	Red	Price £	+ or -	52 week High	Low
Treas 12½pc 2003-5		9.63	7.46	129⅞	-⅛	129⅞	119⅞
Treas 8½pc 2005‡‡		7.96	7.52	106⅛xd	-⅛	108⅞	97⅞
7½pc 2006‡‡		7.53	7.54	99⅝xd	-⅛	99⅞	94⅞
7¾pc 2006‡‡		7.67	7.60	101	-⅛	101⅛	92⅞
8pc 2002-6‡‡		7.76	7.57	103⅛	-⅛	103⅛	93⅛
Treas 11¾pc 2003-7		9.50	7.41	123⅞	-⅛	123⅞	113⅞
Treas 8½pc 2007‡‡		7.98	7.63	106⅞	-⅛	106⅞	97⅞

Index-Linked	Notes	(1)	(2)	Price £	+ or -	52 week High	Low
2pc '96	(67.9)	-	7.94	215	-	215	200⅝
4⅝pc '98‡‡	(135.6)	1.58	2.73	112⅛	-	112⅛	106⅛
2½pc '01	(78.3)	2.88	3.37	177⅛	-	177⅛	165⅞
2½pc '03	(78.8)	3.08	3.43	173⅞	-	173⅞	161⅞
4⅝pc '04‡‡	(135.6)	3.09	3.44	115⅛	-	115⅞	108⅞
2pc '06	(69.5)	3.19	3.46	183⅛	-	183⅛	168⅞
2½pc '09	(78.8)	3.25	3.48	165⅞	+⅛	165⅞	152⅞
2½pc '11	(74.6)	3.29	3.49	172⅛	-	172⅛	157⅛

CURRENCIES AND MONEY

MARKETS REPORT

Franc wobbles as public sector strife worsens

By Philip Gawith

The French franc fell sharply yesterday as the escalating public sector dispute seeped over into the foreign exchange markets.

Most of the franc's losses were suffered in Asian trading, and in early Europe, after which it traded steadily. Short term interest rate futures also fell sharply, with the December Pibor contract losing 33 basis points to 93.18.

The fall in the franc reflects nervousness about holding French assets, and concern that the financial authorities will be forced to devalue the currency in order to try and boost economic growth.

The Franc closed in London at FFr3.481 against the D-Mark, from FFr3.457 on Friday. It recovered from a low for the day of around FFr3.485.

The dollar was unable to continue the rally seen last week, losing nearly a pfennig against the D-Mark to finish at DM1.4381, from DM1.4451. Against the yen it finished at Y101.035, from Y101.33.

Sterling had a quiet day, with the trade weighted index finishing unchanged at 82.6. Against the D-Mark it finished at DM2.2051, from DM2.212. Against the dollar it closed at $1.5334, from $1.5308.

■ Investors and traders have been caught slightly off-guard by the speed and extent to which the troubles in France have ratcheted up over the past week. As a result, there is some confusion as to how best to assess the implications.

■ Pound in New York

Dec 4	—Latest—	– Prev. close –
£ spot	1.5345	1.5315
1 mth	1.5334	1.5305
3 mth	1.5319	1.5290
1 yr	1.5230	1.5206

There is agreement that if the government is seen to bow to the unions, thereby diluting its commitment to far-reaching reform of the country's welfare system, this will be bad for the franc and markets. But there is uncertainty about the gravity, and likely durability, of the strikes.

Mr Philippe Jordan, senior vice-president at Daiwa Securities in New York, said the "apex" of the union mobilisation could well be reached today. He said if the unions proved unable to attract support for their cause from other sectors of society, "then you will see the pressure come off the franc."

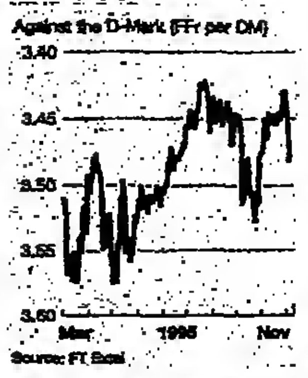
He predicted that if the strike abated, the Bank of France would soon return to cutting interest rates.

Mr Steve Barrow, international economist at Chemical Bank in London, said the French economy risked entering a vicious circle whereby slowing growth aggravated the country's fiscal position, requiring ever more restrictive, and unsuitable policies.

He endorsed the view that the government defined its market credibility in terms of the strength and stability of the exchange rate, whereas the issue was what policies were right for the economy at the time. He said that with the French ecoaomy widely believed to require a growth stimulus, markets would probably reward easier monetary policy, so long as it went in tandem with the existing policy of fiscal rigour.

French franc

Against the D-Mark (FFr per DM)



Source: FT Extel

Mr Paul Chertkow, head of global currency strategy at UBS in London, endorsed this view saying it was "not a question of interest rate differentials, but of sound economic management." He added: "So long as the French government remains resolved and carries through on its programme, the Franc will be a currency that appreciates in the next three months."

Mr Robin Marshall, chief economist at Chase Manhattan in London, said franc weakness eppeared to be infecting some other southern European currencies. "The view is that if the franc goes, it puts the Emu project at risk, which will put more distaoce between the D-Mark and the rest of Europe." Mr Marshall said the only reason to be bullish was if you thought the government could "tough it out".

■ Some of the dollar's recent strength has been attributed to trades where investors borrow in yen, at rates as low as 0.5 per cent, and then buy US treasury bonds, which yield over six per cent. So long as the Bank of Japan is assumed resolute in its commitment to keeping the dollar above Y100, there is no currency risk to intefere with this trade.

The other currency in the news is the Canadian dollar, which has weakened since the Quebec referendum last month. Mr Chertkow said markets feared that the decision of separatist leader Mr Lucieu Bouchard to take over as Quebec premier and leader of the province's ruling pro-independence Parti Quebecois would increase separatist momentum in the province.

■ OTHER CURRENCIES

Dec 4	£	$
Czech Rp	40.7103 - 40.7468	26.5560 - 26.5660
Hungary	207.001 - 207.786	135.030 - 135.380
Iran	4601.40 - 4599.00	3000.00 - 3000.00
Kuwait	0.4596 - 0.4601	0.2998 - 0.3000
Poland	3.8578 - 3.8629	2.5165 - 2.5185
Russia	7034.01 - 7034.93	4586.00 - 4589.00
U.A.E.	5.6302 - 5.6344	3.6727 - 3.6725

POUND SPOT FORWARD AGAINST THE POUND

Dec 4		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.5168	-0.0479	095 - 240	15.5933	15.4896	15.4733	3.4	15.4293	2.3	-	-	106.8
Belgium	(BFr)	45.3427	-0.1711	002 - 851	45.6850	45.2590	45.2277	3.0	45.0577	2.5	44.3327	2.2	109.4
Denmark	(DKr)	8.5449	-0.0182	403 - 494	8.5904	8.5307	8.5333	1.6	8.5159	1.4	8.4574	1.0	109.5
Finland	(FM)	6.5780	+0.0007	709 - 851	6.5970	6.5510	6.5736	0.8	6.5655	0.8	-	-	88.2
France	(FFr)	7.6764	+0.0303	734 - 794	7.6897	7.6355	7.6763	0.0	7.681	-0.2	7.6548	0.3	109.1
Germany	(DM)	2.2051	-0.0069	041 - 061	2.2131	2.2004	2.2	2.7	2.1917	2.4	2.1524	2.4	111.8
Greece	(Dr)	364.006	+0.009	796 - 216	364.685	361.587	-	-	-	-	-	-	66.7
Ireland	(I£)	0.9662	+0.0003	654 - 670	0.9680	0.9651	0.9652	1.2	0.9641	0.9	0.9606	0.6	97.3
Italy	(L)	2456.58	+3.09	479 - 837	2463.33	2452.01	2465.43	-4.3	2481.83	-4.1	2558.03	-4.0	70.7
Luxembourg	(LFr)	45.3427	-0.1711	002 - 851	45.6850	45.2590	45.2277	3.0	45.0577	2.5	44.3327	2.2	109.4
Netherlands	(Fl)	2.4689	-0.0087	675 - 703	2.4895	2.4608	2.4624	3.2	2.4525	2.7	2.4089	2.4	109.4
Norway	(NKr)	9.7229	-0.0127	177 - 280	9.7729	9.6981	9.7129	1.2	9.6913	1.3	9.6101	1.2	96.2
Portugal	(Es)	231.712	-0.09	575 - 849	232.078	229.526	232.137	-2.2	233.042	-2.3	-	-	95.1
Spain	(Pta)	188.348	-0.409	237 - 458	188.523	187.761	188.833	-3.1	189.778	-3.0	194.003	-3.0	81.9
Sweden	(SKr)	10.0796	+0.0588	695 - 896	10.0899	9.9743	10.0815	-0.2	10.0851	-0.2	10.1003	-0.2	88.1
Switzerland	(SFr)	1.7905	-0.0078	893 - 916	1.7984	1.7872	1.7837	4.5	1.7716	4.2	1.7184	4.0	115.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	82.8
Ecu	-	1.1992	+0.0003	984 - 000	1.2038	1.1971	1.1982	1.1	1.1967	0.8	1.1893	0.8	-
SDR†	-	1.03057	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5332	+0.0031	327 - 336	1.5372	1.5323	-	-	-	-	-	-	-
Brazil	(R$)	1.4817	+0.0029	809 - 824	1.4852	1.4805	-	-	-	-	-	-	-
Canada	(C$)	2.0938	+0.0039	929 - 947	2.0993	2.0922	2.0923	0.6	2.0911	0.5	2.0869	0.3	83.8
Mexico	(New Peso)	11.6816	+0.0049	355 - 876	11.6877	11.6010	-	-	-	-	-	-	-
USA	($)	1.5334	+0.0026	330 - 338	1.5375	1.5323	1.5323	0.9	1.531	0.6	1.5222	0.7	93.6
Pacific/Middle East/Africa													
Australia	(A$)	2.0740	+0.0025	727 - 752	2.0804	2.0727	2.0755	-0.9	2.0793	-1.0	2.0958	-1.1	85.2
Hong Kong	(HK$)	11.8617	+0.0193	578 - 655	11.8933	11.8542	11.8548	0.7	11.8468	0.5	11.8201	0.4	-
India	(Rs)	53.5234	+0.0925	864 - 603	53.6590	53.4850	-	-	-	-	-	-	-
Israel	(Shk)	4.7274	+0.0092	223 - 324	4.7433	4.7217	-	-	-	-	-	-	-
Japan	(Y)	154.927	-0.184	833 - 021	155.680	154.430	154.032	6.9	152.592	6.0	146.287	5.6	143.0
Malaysia	(M$)	3.8844	+0.0059	826 - 862	3.8930	3.8795	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3658	+0.0077	639 - 677	2.3685	2.3644	2.3687	-1.5	2.3758	-1.7	2.3998	-1.4	100.4
Philippines	(Peso)	40.1368	+0.051	109 - 626	40.2280	40.1100	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7519	+0.0105	500 - 537	5.7667	5.7481	-	-	-	-	-	-	-
Singapore	(S$)	2.1678	+0.0025	664 - 691	2.1725	2.1660	-	-	-	-	-	-	-
South Africa	(R)	5.6168	+0.0058	143 - 193	5.6291	5.6120	-	-	-	-	-	-	-
South Korea	(Won)	1179.72	+1.43	934 - 011	1182.80	1178.95	-	-	-	-	-	-	-
Taiwan	(T$)	41.8649	+0.0027	509 - 789	41.8999	41.8379	-	-	-	-	-	-	-
Thailand	(Bt)	38.6497	+0.038	243 - 751	38.6450	38.5220	-	-	-	-	-	-	-

† Rates for Dec 1. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 4		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.1192	-0.0488	171 - 213	10.1250	10.0880	10.1037	1.8	10.0777	1.6	9.9742	1.4	106.5
Belgium	(BFr)	29.5700	-0.183	500 - 900	29.7300	29.4770	29.518	2.1	29.43	1.9	29.125	1.5	108.6
Denmark	(DKr)	5.5725	-0.0215	710 - 740	5.5750	5.5522	5.5687	0.8	5.5625	0.7	5.58	-0.1	108.4
Finland	(FM)	4.2898	-0.007	863 - 933	4.2974	4.2612	4.2848	1.4	4.2761	1.3	4.2473	1.0	87.4
France	(FFr)	5.0062	+0.0112	055 - 068	5.0113	4.9685	5.0097	-0.8	5.0172	-0.9	5.0267	-0.4	109.2
Germany	(DM)	1.4381	-0.007	378 - 383	1.4439	1.4314	1.4358	1.9	1.4310	1.8	1.4141	1.7	110.6
Greece	(Dr)	237.385	-0.405	310 - 460	237.540	235.460	239.11	-8.7	242.31	-8.3	255.785	-7.6	66.1
Ireland	(I£)	1.5871	+0.0023	861 - 880	1.5918	1.5855	1.5876	-0.3	1.588	-0.2	1.5841	0.2	-
Italy	(L)	1602.05	-0.75	130 - 280	1603.28	1597.00	1608.9	-5.1	1620.95	-4.7	1679.05	-4.8	70.4
Luxembourg	(LFr)	29.5700	-0.183	500 - 900	29.7300	29.4770	29.518	2.1	29.43	1.9	29.125	1.5	108.6
Netherlands	(Fl)	1.6101	-0.0084	096 - 106	1.6208	1.6029	1.607	2.3	1.6019	2.0	1.5826	1.7	108.5
Norway	(NKr)	6.3407	-0.0193	390 - 424	6.3655	6.3068	6.3384	0.4	6.3302	0.7	6.3132	0.4	97.2
Portugal	(Es)	151.110	-0.32	060 - 160	151.300	149.520	151.485	-3.0	152.255	-3.0	155.86	-3.1	95.3
Spain	(Pta)	122.830	-0.48	790 - 870	122.970	122.280	123.225	-3.9	123.96	-3.7	127.45	-3.8	81.3
Sweden	(SKr)	6.5734	+0.0256	685 - 782	6.5820	6.4842	6.5905	-3.1	6.6199	-2.8	6.7574	-2.8	88.2
Switzerland	(SFr)	1.1677	-0.0071	672 - 681	1.1735	1.1625	1.1641	3.7	1.1574	3.5	1.129	3.3	114.2
UK	(£)	1.5334	+0.0026	330 - 338	1.5375	1.5323	1.5323	0.9	1.531	0.6	1.5222	0.7	82.2
Ecu	-	1.2787	+0.0018	782 - 792	1.2828	1.2762	1.279	-0.3	1.2789	-0.2	1.28	-0.1	-
SDR†	-	0.67499	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	+0.0003	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	0.9663	+0.0002	660 - 665	0.9665	0.9660	-	-	-	-	-	-	-
Canada	(C$)	1.3655	+0.0002	652 - 657	1.3662	1.3648	1.3655	0.0	1.3669	-0.1	1.3709	-0.4	82.8
Mexico	(New Peso)	7.6050	-0.01	900 - 200	7.6200	7.5900	7.6073	-0.4	7.6105	-0.3	7.6153	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	94.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3524	-0.0008	521 - 530	1.3531	1.3520	1.3544	-1.8	1.3579	-1.6	1.3766	-1.6	85.8
Hong Kong	(HK$)	7.7355	-0.0006	350 - 360	7.7360	7.7350	7.7362	-0.1	7.738	-0.1	7.765	-0.4	-
India	(Rs)	34.9050	-	900 - 200	34.9200	34.8800	35.055	-5.2	35.36	-5.2	36.83	-5.5	-
Israel	(Shk)	3.0829	+0.0008	804 - 854	3.0889	3.0730	-	-	-	-	-	-	-
Japan	(Y)	101.035	-0.295	000 - 070	101.450	100.590	100.52	6.1	99.675	5.4	96.11	4.9	143.4
Malaysia	(M$)	2.5332	-0.0005	327 - 337	2.5349	2.5305	2.5341	-0.4	2.5402	-1.1	2.5637	-1.2	-
New Zealand	(NZ$)	1.5427	+0.0023	420 - 437	1.5440	1.5385	1.5458	-2.4	1.5516	-2.3	1.5762	-2.2	-
Philippines	(Peso)	26.1750	-0.012	650 - 850	26.1850	26.1650	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7511	+0.0004	508 - 513	3.7515	3.7505	3.7513	-0.1	3.7523	-0.1	3.7558	-0.1	-
Singapore	(S$)	1.4137	-0.0008	132 - 142	1.4146	1.4132	1.4102	3.0	1.4042	2.7	1.3787	2.5	-
South Africa	(R)	3.6628	-0.0027	623 - 633	3.6635	3.6580	3.6807	-6.2	3.7418	-8.6	3.9838	-8.8	-
South Korea	(Won)	769.350	-0.4	300 - 400	769.800	769.300	772.35	-4.7	775.85	-3.4	794.35	-3.2	-
Taiwan	(T$)	27.3020	-0.0455	000 - 040	27.3180	27.3000	27.322	-0.9	27.362	-0.9	-	-	-
Thailand	(Bt)	25.1400	-0.02	300 - 500	25.1500	25.1270	25.2387	-4.7	25.4425	-4.8	26.325	-4.7	-

† SDR rate per $ for Dec 1. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 1: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

December 4	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	4	[illegible]	8.00	3.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.00	3.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	6	4.80	-	6.10
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.80	-	6.10
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.50	3.50	3.98
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.50	3.50	3.97
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.51
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.52
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.50	3.60
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.50	3.60
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	2	5.00	2.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	2.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.25	5.34	5.31	5.26	-	-	-
week ago	-	5.25	5.47	5.43	5.41	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 4	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.22	93.18	-0.33	93.31	93.05	54,657	46,402
Mar	94.17	94.09	-0.15	94.20	94.04	10,283	30,308
Jun	94.65	94.59	-0.09	94.68	94.56	8,170	35,164

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.10	96.08	-0.01	96.10	96.07	12734	179688
Mar	96.34	96.33	-	96.34	96.33	12190	153129
Jun	96.43	96.43	-	96.44	96.42	9908	124964
Sep	96.38	96.38	-	96.38	96.37	7421	105027

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	89.50	89.40	-0.12	89.50	89.39	4868	22143
Mar	89.76	89.70	-0.18	89.86	89.68	4336	32436
Jun	90.07	90.04	-0.11	90.11	90.07	328	17612
Sep	90.23	90.16	-0.07	90.23	90.14	297	10290

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.74	97.76	-0.01	97.82	97.74	4180	17832
Mar	98.01	97.99	-0.02	98.05	97.96	7119	22607
Jun	98.08	98.07	-0.02	98.14	98.02	2225	9817
Sep	98.08	98.04	-0.02	98.09	98.02	167	5268

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.45	94.43	-0.10	94.48	94.43	1039	6488
Mar	94.73	94.74	-0.06	94.78	94.73	470	5599
Jun	94.88	94.87	-0.05	94.89	94.86	670	4296
Sep	94.93	94.88	-0.05	94.93	94.88	190	2271

* LIFFE futures also traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.28	94.29	-0.01	94.31	94.28	46,048	308,709
Mar	94.70	94.71	+0.01	94.73	94.68	72,303	422,634
Jun	94.81	94.83	+0.02	94.83	94.80	72,157	324,321

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.75	94.73	-0.01	94.75	94.73	1,103	5,807
Mar	95.14	95.14	+0.01	95.14	95.14	2,046	8,370
Jun	95.25	95.25	+0.01	95.25	95.24	69	1,072

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
9600	0.10	0.35	0.36	0.37	0.02	0.02	0.03	0.04
9625	0.02	0.14	0.17	0.18	0.19	0.08	0.09	0.10
9650	0	0.04	0.06	0.07	0.42	0.21	0.23	0.24

Est. vol. total, Calls 3655 Puts 2390. Previous day's open int., Calls 266594 Puts 265132

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9775	0.05	0.33	0.45	0.04	0.09	0.13
9800	0.02	0.18	0.27	0.26	0.17	0.20
9825	0	0.08	0.15	0.48	0.34	0.33

Est. vol. total, Calls 100 Puts 0. Previous day's open int., Calls 11512 Puts 3456

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
8925	0.22	0.71	1.08	0.07	0.26	0.29
8950	0.08	0.55	0.90	0.18	0.35	0.36
8975	0.03	0.42	0.74	0.38	0.47	0.45

Est. vol. total, Calls 285 Puts 0. Previous day's open int., Calls 18758 Puts 9213

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 4		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.85	16.93	4.863	2.131	5419	5.446	21.44	511.0	415.3	22.23	3.950	2.206	4.618	3.381	341.8	2.644
Denmark	(DKr)	53.06	10	8.983	2.580	1.130	2875	2.889	11.38	271.2	220.4	11.80	2.096	1.170	2.451	1.794	181.3	1.403
France	(FFr)	59.07	11.13	10	2.873	1.258	3201	3.217	12.67	301.8	245.3	13.13	2.333	1.303	2.728	1.997	201.8	1.562
Germany	(DM)	20.56	3.875	3.481	1	0.438	1114	1.120	4.410	105.1	85.40	4.571	0.812	0.454	0.950	0.695	70.25	0.544
Ireland	(I£)	46.94	8.846	7.946	2.283	1	2543	2.556	10.07	239.8	194.9	10.43	1.854	1.035	2.168	1.587	160.4	1.241
Italy	(L)	1.845	0.348	0.312	0.090	0.039	100.	0.100	0.396	9.430	7.664	0.410	0.073	0.041	0.085	0.062	6.304	0.049
Netherlands	(Fl)	18.36	3.461	3.109	0.893	0.391	995.1	1	3.938	93.84	76.27	4.083	0.725	0.405	0.848	0.621	62.74	0.486
Norway	(NKr)	46.63	8.788	7.895	2.268	0.994	2527	2.539	10	238.3	193.7	10.37	1.842	1.028	2.154	1.577	159.3	1.233
Portugal	(Es)	19.57	3.688	3.313	0.952	0.417	1060	1.066	4.196	100.	81.27	4.350	0.773	0.432	0.904	0.662	66.85	0.517
Spain	(Pta)	24.08	4.538	4.076	1.171	0.513	1305	1.311	5.164	123.0	100.	5.353	0.951	0.531	1.112	0.814	82.26	0.637
Sweden	(SKr)	44.98	8.477	7.615	2.188	0.958	2438	2.449	9.648	229.9	186.8	10	1.777	0.992	2.077	1.521	153.7	1.189
Switzerland	(SFr)	25.32	4.771	4.286	1.231	0.539	1372	1.379	5.429	129.4	105.1	5.628	1	0.558	1.169	0.856	86.49	0.669
UK	(£)	45.34	8.545	7.676	2.205	0.966	2457	2.469	9.723	231.7	188.3	10.08	1.791	1	2.094	1.533	154.9	1.198
Canada	(C$)	21.65	4.081	3.666	1.053	0.461	1173	1.179	4.643	110.6	89.92	4.814	0.855	0.478	1	0.732	73.97	0.573
US	($)	29.58	5.574	5.007	1.438	0.630	1603	1.611	6.342	151.1	122.8	6.575	1.168	0.652	1.366	1	101.0	0.782
Japan	(Y)	29.27	5.510	4.955	1.423	0.624	1586	1.594	6.277	149.6	121.6	6.507	1.156	0.646	1.352	0.990	100.	0.774
Ecu		37.81	7.127	6.402	1.839	0.806	2049	2.059	8.109	193.2	157.0	8.407	1.494	0.834	1.748	1.279	129.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6933	0.6968	+0.0048	0.6989	0.6935	18,894	64,613
Mar	0.6955	0.7001	+0.0050	0.7016	0.6955	6,769	12,992
Jun	0.7036	0.7035	+0.0055	0.7036	0.7035	49	830

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.9882	0.9939	+0.0038	0.9968	0.9886	28,959	52,859
Mar	1.0034	1.0073	+0.0038	1.0104	1.0034	10,736	18,092
Jun	1.0220	1.0220	+0.0080	1.0220	1.0220	18	491

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8532	0.8586	+0.0064	0.8619	0.8528	15,526	37,681
Mar	0.8603	0.8660	+0.0064	0.8680	0.8603	2,648	7,861
Jun	-	0.8730	+0.0064	0.8730	-	9	534

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5314	1.5336	+0.0038	1.5370	1.5314	8,467	49,687
Mar	1.5332	1.5320	+0.0044	1.5332	1.5310	648	4,061
Jun	-	1.5290	+0.0044	1.5290	-	8	18

EMS EUROPEAN CURRENCY UNIT RATES

Dec 4	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.09700	-0.00427	-2.56	6.45	19
Belgium	39.3960	38.5029	-0.0713	-2.27	6.13	17
Germany	1.91007	1.87290	-0.0042	-1.94	5.78	19
Austria	13.4383	13.1783	-0.0291	-1.89	5.76	14
Spain	162.493	160.095	+0.07	-1.48	5.28	10
Denmark	7.28580	7.25868	-0.00775	-0.37	4.11	3
Portugal	195.792	196.959	+0.414	0.60	3.11	-4
France	6.40608	6.51722	+0.01734	1.73	1.98	-15
Ireland	0.792214	0.821731	+0.002749	3.73	0.00	-25
NON ERM MEMBERS						
Greece	292.867	309.237	+0.255	5.59	-1.77	-
Italy	2106.15	2088.88	+6.95	-0.91	4.68	-
UK	0.786652	0.850148	+0.002398	8.07	-4.02	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	PUTS Dec	PUTS Jan	PUTS Feb
1.520	1.70	2.51	3.17	0.65	1.50	2.32
1.530	1.12	1.94	2.66	1.08	1.95	2.74
1.540	0.69	1.50	2.26	1.86	2.51	3.30
1.550	0.39	1.12	1.86	2.36	3.09	3.89
1.560	0.20	0.82	1.52	3.11	3.78	4.54
1.570	0.08	0.58	1.22	3.98	4.54	5.23

Previous day's vol., Calls N/A Puts N/A . Prev. day's open int., Calls N/A Puts N/A

BASE LENDING RATES

	%
Adam & Company	6.75
Allied Trust Bank	6.75
AIB Bank	6.75
●Henry Ansbacher	6.75
Bank of Baroda	6.75
Banco Bilbao Vizcaya	6.75
Bank of Cyprus	6.75
Bank of Ireland	6.75
Bank of India	6.75
Bank of Scotland	6.75
Barclays Bank	6.75
Brit Bk of Mid East	6.75
●Brown Shipley & Co Ltd	6.75
Citibank NA	6.75
Clydesdale Bank	6.75
The Co-operative Bank	6.75
Coutts & Co	6.75
Credit Lyonnais	6.75
Cyprus Popular Bank	6.75
Duncan Lawrie	6.75
Exeter Bank Limited	7.75
Financial & Gen Bank	7.50
●Robert Fleming & Co	6.75
Girobank	6.75
●Guinness Mahon	6.75
Habib Bank AG Zurich	6.75
●Hambros Bank	6.75
Heritable & Gen Inv Bk	6.75
●Hill Samuel	6.75
C. Hoare & Co	6.75
Hongkong & Shanghai	6.75
Julian Hodge Bank	6.75
●Leopold Joseph & Sons	6.75
Lloyds Bank	6.75
Meghraj Bank Ltd	6.75
Midland Bank	6.75
* Mount Banking	6.75
NatWestminster	6.75
●Rea Brothers	6.75
* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Royal Bk of Scotland	6.75
●Singer & Friedlander	6.75
●Smith & Williamson Secs.	6.75
TSB	6.75
United Bank of Kuwait	6.75
Unity Trust Bank Plc	6.75
Western Trust	6.75
Whiteaway Laidlaw	6.75
Yorkshire Bank	6.75

● Members of London Investment Banking Association
* In administration

UK INTEREST RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.59	93.55	-0.04	93.59	93.53	10332	81274
Mar	93.85	93.84	-0.01	93.85	93.80	15390	91437
Jun	93.95	93.96	-	93.98	93.91	6789	60739
Sep	93.92	93.94	+0.01	93.95	93.89	5432	43486
Dec	93.78	93.82	+0.02	93.81	93.76	1748	29659

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9350	0.11	0.42	0.62	0.06	0.08	0.16
9375	0.02	0.24	0.45	0.22	0.15	0.24
9400	0	0.12	0.30	0.45	0.28	0.34

Est. vol. total, Calls 6113 Puts 2561. Previous day's open int., Calls 169570 Puts 180900

LONDON MONEY RATES

Dec 4	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¼	5¼	5	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount 6.2358pc. ECGD fixed rate Stlg. Export Finance. Make up day Nov 30, 1995. Agreed rate for period Dec 26, 1995 to Jan 23, 1996, Schemes II & III 7.18pc. Reference rate for period Nov 1, 1995 to Nov 30, 1995, Schemes IV & V 6.736pc. Finance House Base Rate 7pc from November 1, 1995

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Pf		50½	—	88	50¼	6.31	19.8	–
Cater Allen	♣†v	444	+1	525	410	144.7	9.6	1.2
Close Bros	♣ϕv□	322	+2	*340½	£16¼	388.1	3.4	14.5
Gerrard & Nat	♣v	[illegible]	—	466	385	221.1	6.2	14.8
Hambros	†□	291xd	—	258	150	355.4	4.7	–
7½pc Cv Pf		95	-1	112	94	123.7	9.8	–
Joseph (L)	♣†v	453	—	453	353	24.5	5.1	25.8
King & Shaxson	♣v□	137	—	145	86	35.2	8.2	16.6
Rea Brothers	♣v	45	—	87	44	81.9	2.8	18.0
Schroders	♣†‡v□	1338	+5	*1478	908¼	2,880	1.3	19.1
N/V	‡‡v	1158	+3	*1126	823½	380.7	1.8	16.2
Singer & Fried	♣†v□	118	—	111	81	216.4	4.2	11.4
8½pc Cv Ln 09/14		£138½	—	£137	£1½	21.8	6.2	–
Union	♣v□	107	-5	181	70	28.5	3.5	–
Wintrust	♣v	258	—	285	200	23.8	5.3	15.3

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

هكذا من الاصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

OTHER SERVICES & BUSINESSES - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31⅛	--	£34	£29	2,189	2.7	15.3
Barlow	♣	[illegible]	....	[illegible]	[illegible]	1,741	1.7	♦
Gold Flds Prop R		164	...	154	136	15.7	6.9	6.9
NK Props		92	....	85	85	3.70	13.0	-
SASOL	♥	488	...	848	435	2,083	2.8	-
SA Brews		£22xd	...	£22	[illegible]	8,479	1.6	29.4
Standard Bank		[illegible]	[illegible]	[illegible]	[illegible]	3,430	1.9	19.1
Tiger Oats		1153	---	1153	700	1,724	[illegible]	♦
Tongaat-Hulett	†	872xd	...	872	636	985.9	2.0	18.4

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name

Symbols referring to dividend status appear in the notes column only as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR "Headline Earnings" formula.

Price/earnings ratios are based on latest annual reports and accounts and where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield, p-e based on earnings updated by latest interim statement
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
x Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96
R Forecast annualised yield, p-e based on prospectus or other official estimates.
W Pro forma figures
Z Dividend yield to date

Abbreviations:
xd ex dividend.
xc ex scrip issue.
xr ex rights;
xa ex all;
xf ex capital distribution

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

Jupiter Tyndall (Bermuda) Ltd
PO Box HM 256 Hamilton, Bermuda 001 809 292 2780

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 256, St Peter Port, Guernsey 01481 710651

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

CIBC Fund Managers (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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LUXEMBOURG (REGULATED)(**)

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Citicorp Investment Mgmt (Luxembourg) SA

Citimarkets SA

Clan European Asset Value Fund

Clements Korea Emerging Growth Fund

Merrill Lynch Asset Management - Contd.

Abtrust International Ltd

Royal Life International

Camco Investment Management Ltd

Capital International

Cathay Investment Fund Limited

Chameleon Funds Limited

Global Asset Management - Contd.

Magellan Emerging Mkts Mgmt (Jersey) Ltd

Magnum Funds

Magus Asset Management Ltd

Malaysia Capital Fund Ltd

Republic Funds

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MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Equity market slide halted by renewed bid buzz

By Stephen Thompson, UK Stock Market Editor

London's equity market was buzzing with excitement during the last few minutes of trading yesterday, as dealers picked up hints that another big FT-SE 100 bid could be on the way. Sentiment was also helped by a sizeable programme trade, weighted on the buy side and executed just before the close.

The market's hot favourite to receive a hostile bid was Ladbroke, the troubled betting to hotels group. The latter suddenly shot up towards the close on strong rumours that Bass, the UK's second-largest brewer and a growing force in the leisure industry, was about to bid for the gaming group.

Another takeover story, among a handful circulating in the market, was that a powerful German utilities/holding company was on the verge of launching a break-up bid for Cable and Wireless, and sell the company's majority holding in Hongkong Telecom to BT.

Those stories, coupled with a surge in British Airways, on talk of closer links with KLM, the Dutch airline, and American Airlines, and ever present hints that Asda, the supermarket group, may attract the attention of a German predator, helped to halve an early steep decline in the Footsie.

At the close, the FT-SE 100 was 10.7 off at 3,669.7, heavily burdened by a steep decline in BT, which accounted for around half the closing loss in the premier index. It was also heavily influenced by a 7 per cent-plus decline in BSkyB shares, which reacted to second thoughts on the review of the group's operations by the Office of Fair Trading.

The FT-SE Mid 250 index, on the other hand, was in positive territory all day, sustained by excellent performances from Racal Electronics, which confirmed talks about the potential acquisition of BR's telecommunications business, and South Wales Electricity, after news that Welsh Water had finally agreed merger terms with its fellow utility.

And British Biotechnology, the market's latest high-flyer, surged afresh.

Earlier, the stock market suffered from widespread profit-taking which kept marketmakers on the back foot. And sentiment was being affected by Europe-wide weakness in equities, prompted by a sharp sell-off in Paris, where the market was depressed by the ongoing wave of strikes by public workers.

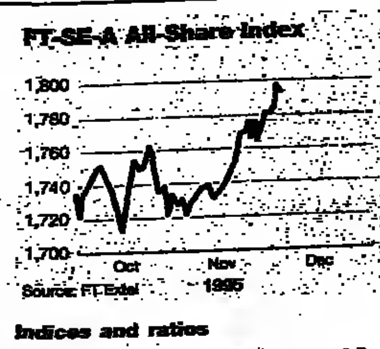
The FT-SE 100 index kicked off more than five points down and fell away to a session's low of 3,659.2, off some 21 points, shortly before Wall Street opened for business.

The US market began trading on a lacklustre note, dipping eight points shortly after the start, but quickly steadied and then rallied strongly to show a 15-point gain 90 minutes after London had closed.

Marketmakers were surprised by the pace of the late rally and said they expected more takeover moves to develop in the short term. "The right people were buying the market late in the day, and that is usually a sign that something is about to happen," said one senior dealer.

Turnover in London at 6pm amounted to 693.2m shares, with non-Footsie stocks accounting for 62 per cent of the total. Customer business on Friday was worth £2.18bn.

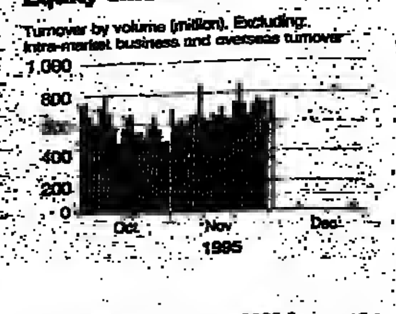
FT-SE-A All-Share Index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3669.7	-10.7
FT-SE Mid 250	3969.1	+5.4
FT-SE-A 350	1817.9	-3.6
FT-SE-A All-Share	1791.78	-3.17
FT-SE-A All-Share yield	3.78	(3.77)
FT Ordinary Index	2660.6	-10.0
FT-SE-A Non Fins p/e	16.63	(16.67)
FT-SE 100 Fut Dec	3677.0	-3.0
10 yr Gilt yield	7.52	(7.52)
Long gilt/equity yld ratio:	2.08	(2.08)

Best performing sectors

1. Extractive Inds. +1.5
2. Oil Exploration & Prod +1.4
3. Mineral Extraction +1.0
4. Leisure & Hotels +0.8
5. Oil, Integrated +0.8

Worst performing sectors

1. Telecommunications -1.6
2. Media -1.5
3. Spirits, Wines & Cids. -1.4
4. Insurance -1.4
5. Breweries -1.2

Ladbroke up on bid talk

Late afternoon bid talk in the market settled on hotels and leisure group Ladbroke, sending the stock sharply ahead minutes before the close.

The shares jumped 16 to 159p, with takeover speculation pointed at drinks and hotels group Bass. Rumours suggested that agents Bass had acquired between 1.5 and 2.9 per cent of Ladbroke's stock.

One analyst said: "I doubt such a bid is on the cards but I cannot rule it out. Both have hotels but they are different businesses." He also pointed out that "with both companies heavily involved in retail betting, a bid would trigger a monopoly investigation".

A bid for Ladbroke has been widely talked about in the market recently and the prospect of such a takeover was raised after the group came out with a profits warning last month. Granada Group, currently bidding for Forte, was said to have considered a takeover bid for Ladbroke.

Shares in Bass lost 9 to 674p on the speculation, ahead of interim figures due tomorrow.

BT concerns

Honeymoon time seems to have ended for BT. After a flurry of enthusiasm last week following the appointment of the new chief executive, the shares dropped 14½ to 367½p.

BT is one of the most heavily traded and influential stocks in the London market. The near 4 per cent fall on turnover of 13m shares was responsible for more than half of the slide in the Footsie yesterday.

While there were vague whispers in the wind about involvement in Hongkong Telecom, the chill factor came from the cold wind of regulatory pressure.

Mr Don Cruickshank, the UK telecoms regulator, released a consultative document ahead of the latest pricing structure, set to be announced in March.

Analysts said the document contained some disturbing indications that the price cap – currently at a tough inflation minus 7.5 per cent – might not be relaxed next year.

Inchcape fear

Several key stocks were influenced by what will probably be the biggest review of Footsie constituents for more than two years.

When the UK indices steering committee meets tomorrow it is expected to delist at least three companies from the blue chip index.

However, many marketmakers felt the damage was already done and threatened stocks merely wavered. Inchcape, for example, which at last Friday's close stood at number 130 in terms of market capitalisation, looks unlikely to be rescued by yesterday's rise of a penny to 236p.

And while the derating of the paper sector following a downturn in orders is likely to herald the departure of Arjo Wiggins Appleton and bank note printer De La Rue, neither suffered greatly. Arjo shed a penny to 166p and De La Rue tumbled 16 but recovered to end 5 up at 648p.

London Electricity may well disappear from the main index if a proposal is accepted to quote the regional electricity companies after the National Grid special dividend is stripped out. The shares finished 4 better at 714p ex the Grid dividend.

Sears, the home shopping group, could also leave. On Friday the company's market value left it four places below the official capitalisation cut-off point of 110 and yesterday the shares eased 3 to 98p. However, **Lasmo**, the oil exploration and production group, may just scrape in. Although it stood at 112 on Friday, the cut-off would be adjusted as a result of the electricity companies' revaluation. Lasmo rose 2 to 165p.

Pilkington, up 5 at 197p, and **Smiths Industries**, off 3 at 609p, are poised to enter the Footsie.

In the FT-SE Mid 250 index, **Telspec** and **Cordiant** are ripe to join, while **Hazlewood Foods**, **William Baird** and **Howden Group** appear ready to fall.

The indices committee will also carry out its annual review of the FT-SE-A All-Share Index, which currently includes just under 900 companies. It is expected to raise the entry level to a capitalisation of around £45m to take into account this year's 13 per cent rise in the index.

Higher crude oil prices and a squeeze in **British Petroleum** shares helped both the oil majors resist the market's downturn.

Brent crude rose on the news that King Fahd of Saudi Arabia, the world's biggest oil producer, was seriously ill. There is speculation that a change in the country's leadership could alter its attitude to oil prices. Analysts were sceptical and one argued that the news merely gave "fodder for the bulls". Nevertheless, BP rose 6 to 531p and **Shell Transport** 4 to 821p.

Satellite broadcaster **BSkyB** came down to earth with a bump yesterday as investors responded to the decision by the Office of Fair Trading to investigate its PayTV business.

When the news broke on Friday the shares fell sharply and then recovered. But with the shares on a historic multiple of more than 48 times earnings, the market felt that doubts hanging over the company made it look very expensive.

Although BSkyB fell 31½ to 397p, there was a feeling that the battle was not over. As the market closed yesterday the company gave a hard-hitting telephone conference call for analysts. One analyst who had listened to the conference said Mr Sam Chisholm, the chief executive, accused the three cable companies which had instigated the review, of being "vicious litigants" with "no case for BSkyB to answer".

Carlton Communications, the broadcasting and media services group, improved 12 to 994p ahead of full-year figures due for release tomorrow.

Shares in bid target **Forte**, which yesterday announced plans for a demerger of its restaurant arm and for the sale of its stake in The Savoy, closed 4 lighter at 339p. Savoy "A" fell 10 to 1040p.

The day's best performer in the FT-SE Mid 250 was **Racal Electronics** after it confirmed weekend press reports that it was close to an agreement to buy BR Telecommunications from British Rail.

The shares jumped 17 to 270p ahead of interim figures today. Henderson Crosthwaite is a fan of the stock and Mr Brian Newman at the broker said: "Racal has a full telecommunications licence. If it makes this purchase, it will double the size of the network and bring in annual revenue of £200m a year, leading to rerating of the stock." He has pencilled in a break-up value of 330p a share.

British Airways moved strongly ahead, gaining 15 to 473p, following press speculation that it was in talks to form an alliance with both Dutch airline KLM and American Airlines. KLM denied there were talks with either BA or AA but this did little to dampen the speculation.

RMC tumbled 36 to 1017p after news of a decline in German cement sales.

MARKET REPORTERS:
Peter John,
Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Dec 4	Dec 1	Nov 30	Nov 29	Nov 28	Yr ago	*High	*Low
Ordinary Share	2660.0	2670.5	2666.4	2675.3	2676.1	2328.9	2676.1	2238.3
Ord. div. yield	4.04	4.04	4.05	4.04	4.03	4.48	4.73	4.02
P/E ratio net	15.91	15.85	15.80	15.83	15.84	17.81	21.33	15.35
P/E ratio nil	15.73	15.76	15.70	15.74	15.75	17.17	22.21	15.17

*For 1995. Ordinary Share index since compilation, high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2663.9	2658.4	2657.8	2659.4	2660.5	2655.4	2654.0	2654.8	2658.9	2664.2	2653.0

	Dec 4	Dec 1	Nov 30	Nov 29	Nov 28	Yr ago
SEAQ bargains	32,729	30,582	28,018	30,486	27,952	18,381
Equity turnover (£m)†	-	2176.8	1842.9	1954.9	2103.7	1195.3
Equity bargains†	-	36,419	34,238	36,214	33,932	26,779
Shares traded (mil)†	-	765.7	743.2	746.4	768.0	480.3

†Excluding intra-market business and overseas turnover

London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	634	Total Highs	132	Total contracts	28,140
Total Falls	603	Total Lows	43	Calls	10,103
Same	1,629			Puts	16,037

Dec. 4 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3667.0	3677.0	-3.0	3684.0	3660.0	5047	58845
Mar	3692.0	3700.5	-3.5	3704.5	3687.0	1262	17701
Jun	-	3704.0	-3.0	-	-	0	635

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3970.0	3970.0	-	3970.0	3970.0	65	2870
Mar	4018.0	4018.0	+3.0	4018.0	4018.0	85	930

FT-SE 100 INDEX OPTION (LIFFE) (*3669) £10 per full index point

3500 3550 3600 3650 3700 3750 3800 3850 (C P C P C P C P C P C P C P C P)

Dec, Jan, Feb, Mar, Jun*, Calls 3,359 Puts 3,733 [illegible]

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

3525 3575 3625 3675 3725 3775 3825 3875

Dec, Jan, Feb, Mar, Jun*, [illegible]

Calls 1,272 Puts 7,886 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock
100	F.P.	24.5	99	98	Abtrust High Inc C
-	F.P.	2.13	10	9	†Arion Props
306	F.P.	48.9	301	285	BZW Eqs Bermuda
-	F.P.	61.8	103	101	Benfield & Rea
290	F.P.	219.8	346½	298	CMG
-	F.P.	28.0	29	26	Cash Converters
150	F.P.	74.0	180	150	Cortworth
-	F.P.	54.1	110	108	Cox Insurance
60	F.P.	3.58	71	65	†David Glass
-	F.P.	13.2	448	448	East Surrey NV
100	F.P.	50.0	100	98	Finsbury Tech
-	F.P.	16.0	146	125	Gardner (L)
125	F.P.	31.0	173	128	Heritage Bath
-	F.P.	25.1	121	98½	Hoare Govett SI C
-	F.P.	3.87	116	88	Jasmin
-	F.P.	2.00	80	70	London Town
-	F.P.	32.0	95½	93½	Martin Currie Jp
-	F.P.	2.11	33	29	Do Warrants
200	F.P.	82.1	260	200	Peptide Th'peutics
-	F.P.	35.0	125	125	Premium Undrig C
-	F.P.	-	105	100	†Revelation P'dily
-	F.P.	139.2	100	95	Schroder Asia Pc
-	F.P.	86.5	217½	173	Tom Cobleigh
-	F.P.	190.0	45	38	†Trocadero
-	F.P.	184.2	280	263	Vero Group

(Close price p, +/-, Net div., Div. cov., Grs yld, P/E net columns: [illegible])

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Dec 1	% chg on day	Nov 30	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1863.61	−1.3	1887.36	[illegible]	[illegible]	-	[illegible]	[illegible]
Regional Indices								
Africa (16)	2332.70	−2.0	2379.36	2909.46	4.26	29.86	3191.21	2272.74
Australasia (6)	2361.88	−1.7	2403.09	2466.63	2.09	36.88	2607.57	1788.20
North America (12)	1665.39	−0.8	1679.54	1445.10	0.81	47.86	1831.00	1348.18

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FT-SE Actuaries Share Indices — The UK Series

	Dec 4	Day's chge%	Dec 1	Nov 30	Nov 29	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3669.7	−0.3	3680.4	3664.3	3655.5	3033.5	3.91	2.09	15.27	136.05	1459.96
FT-SE Mid 250	3969.1	+0.1	3963.7	3959.1	3951.0	3458.3	3.48	1.85	19.44	139.17	1553.03
FT-SE Mid 250 ex Inv Trusts	3986.5	+0.1	3981.0	3977.4	3969.5	3453.5	3.81	1.91	18.11	146.19	1560.31
FT-SE-A 350	1817.8	−0.2	1821.5	1814.8	1810.6	1520.5	3.82	2.06	16.01	66.57	1478.84
FT-SE-A 350 Higher Yield	1812.8	−0.4	1819.4	1815.8	1814.2	1523.2	4.82	1.84	14.06	81.47	1222.66
FT-SE-A 350 Lower Yield	1827.9	....	1828.4	1818.4	1811.5	1478.4	2.78	2.40	18.70	50.44	1242.50
FT-SE SmallCap	1954.26	+0.1	1952.43	1948.93	1947.08	1762.91	3.31	1.70	22.17	59.25	1577.61
FT-SE SmallCap ex Inv Trusts	1934.57	+0.1	1932.91	1929.72	1928.50	1730.27	3.54	1.78	19.83	62.12	1570.02
FT-SE-A ALL-SHARE	1791.78	−0.2	1794.95	1788.60	1784.81	1507.05	3.78	2.02	16.34	64.77	1481.38

FT-SE Actuaries All-Share

	Dec 4	Day's chge%	Dec 1	Nov 30	Nov 29	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(23)	3183.22	+1.0	3152.96	3114.03	3104.34	2658.47	3.68	2.02	18.83	116.67	1339.50
12 Extractive Industries(7)	4288.20	+1.5	4226.75	4244.17	4268.07	3780.26	3.46	2.51	14.43	143.77	1229.52
15 Oil, Integrated(3)	3218.23	+0.9	3192.02	3138.13	3121.19	2623.52	3.82	1.96	18.71	123.19	1388.28
18 Oil Exploration & Prod(13)	1962.79	+1.4	1936.13	1930.04	1939.40	1863.82	2.55	1.49	32.67	49.68	1165.05
20 GEN INDUSTRIALS(277)	1931.98	−0.4	1939.49	1947.81	1956.81	1833.68	4.30	1.69	15.39	76.47	1034.23
21 Building & Construction(38)	1011.55	+0.5	1006.45	1004.42	1004.38	999.85	4.00	2.00	15.61	38.55	831.95
22 Building Matls & Merchs(31)	1771.48	−1.1	1790.53	1789.75	1797.48	1768.49	4.17	2.04	14.67	67.66	876.20
23 Chemicals(23)	2358.50	+0.3	2350.94	2343.05	2354.73	2269.71	4.16	1.87	16.07	94.71	1097.81
24 Diversified Industrials(20)	1748.61	−0.4	1755.27	1780.29	1777.98	1739.19	5.67	1.58	14.10	68.20	950.66
25 Electronic & Elect Equip(36)	2089.30	−0.4	2096.85	2115.30	2128.32	1931.45	9.57	1.88	17.58	82.12	1084.86
26 Engineering(66)	2160.18	−0.8	2177.71	2176.13	2195.18	1805.70	9.49	2.28	15.74	72.40	1291.90
27 Engineering, Vehicles(13)	2484.82	+0.1	2482.43	2495.49	2543.54	2203.60	3.76	1.17	28.52	93.56	1271.05
28 Paper, Pckg & Printing(27)	2435.62	−0.1	2438.14	2459.46	2498.72	2789.70	4.12	2.50	12.13	95.26	997.14
29 Textiles & Apparel(21)	1470.56	....	1470.94	1471.41	1468.42	1539.60	4.87	1.84	13.95	70.54	881.18
30 CONSUMER GOODS(89)	3555.02	−0.3	3564.14	3563.71	3544.27	2708.81	3.80	1.81	19.14	128.84	1267.68
31 Breweries(17)	2744.27	−1.2	2777.67	2776.26	2765.10	2190.62	3.70	1.94	17.39	66.66	1286.53
32 Spirits, Wines & Ciders(9)	2764.59	−1.4	2804.40	2818.26	2784.65	2681.85	4.39	1.77	18.12	125.01	978.39
33 Food Producers(24)	2537.51	+0.4	2528.51	2518.71	2500.72	2263.58	3.96	1.85	16.99	93.70	1122.05
34 Household Goods(11)	2607.06	+0.1	2605.70	2598.17	2599.96	2295.40	3.97	2.13	15.98	90.95	978.65
36 Health Care(17)	1944.41	−0.4	1952.55	1958.24	1961.83	1551.10	2.72	1.79	25.74	49.33	1166.96
37 Pharmaceuticals(10)	5028.38	+0.3	5014.62	5012.44	4995.74	3072.74	3.26	1.70	22.39	162.31	1679.43
38 Tobacco(1)	4692.87	−0.6	4722.52	4722.52	4692.87	3670.23	5.11	1.84	12.59	229.23	1135.35
40 SERVICES(227)	2213.14	−0.2	2218.20	2208.79	2207.00	1879.44	3.04	2.10	19.55	66.09	1133.22
41 Distributors(30)	2517.92	+0.2	2512.37	2505.12	2487.98	2524.18	9.99	1.77	17.69	98.10	915.14
42 Leisure & Hotels(30)	2625.33	+0.8	2603.46	2585.35	2587.43	2090.69	3.09	1.90	21.33	73.67	1344.77
43 Media(43)	3568.87	−1.5	3621.23	3604.70	3583.39	2852.09	2.05	2.37	25.73	79.81	1275.98
44 Retailers, Food(16)	1964.95	+0.8	1952.43	1928.30	1930.55	1703.46	3.70	2.39	14.12	67.62	1227.28
45 Retailers, General(44)	1865.99	−0.4	1873.95	1873.15	1877.51	1557.95	3.19	2.27	17.35	58.68	1051.38
48 Support Services(37)	1859.24	−0.1	1861.28	1860.47	1859.44	1488.00	2.49	2.52	19.99	42.02	1169.34
49 Transport(20)	2193.17	+0.3	2185.65	2181.55	2182.36	2205.33	3.98	1.30	24.15	86.39	900.64
51 Other Services & Business(7)	1158.87	−0.7	1165.12	1164.87	1165.26	1237.70	4.19	1.53	19.55	48.21	1044.52
60 UTILITIES(35)	2492.55	−0.7	2510.69	2503.27	2494.69	2368.71	4.73	2.04	12.95	112.84	1025.38
62 Electricity(13)	2807.81	+0.5	2795.21	2795.52	2804.87	2526.64	4.15	2.78	10.76	157.90	1267.70
64 Gas Distribution(2)	1573.46	−1.0	1589.47	1615.07	1653.46	2025.81	7.82	1.04	15.79	119.82	789.44
66 Telecommunications(7)	2055.38	−1.9	2093.03	2072.24	2037.70	1935.06	4.11	1.74	17.47	58.90	917.51
68 Water(13)	2129.03	+0.5	2117.84	2114.70	2121.30	1767.68	5.55	2.62	8.59	100.76	1140.20
69 NON-FINANCIALS(661)	1883.91	−0.2	1887.87	1884.08	1881.49	1626.45	3.84	1.99	16.83	69.41	1399.90
70 FINANCIALS(113)	2930.02	−0.1	2932.82	2902.81	2885.44	2142.13	3.82	2.43	13.47	106.25	1224.55
71 Banks, Retail(9)	4171.25	+0.3	4160.66	4122.67	4090.51	2846.38	3.51	2.80	12.72	140.81	1315.61
72 Banks, Merchant(6)	3608.79	+0.3	3598.52	3600.91	3601.14	2873.25	2.66	2.41	20.09	101.53	1130.25
73 Insurance(25)	1469.16	−1.4	1488.50	1450.45	1436.68	1191.77	5.02	2.68	9.30	79.13	1075.67
74 Life Assurance(6)	3463.30	−0.8	3491.63	3457.02	3459.45	2342.54	4.03	1.53	20.25	136.72	1410.96
77 Other Financial(22)	2412.32	−0.1	2414.32	2402.91	2404.38	1830.17	3.71	1.85	18.20	70.04	1348.06
79 Property(45)	1404.68	+0.1	1403.35	1399.17	1394.69	1367.58	4.46	1.33	21.02	54.46	846.74
80 INVESTMENT TRUSTS(133)	2982.96	+0.1	2979.79	2969.26	2962.50	2722.13	2.25	1.04	53.04	59.96	1029.82
89 FT-SE-A ALL-SHARE(897)	1791.79	−0.2	1794.95	1788.60	1784.61	1507.05	3.79	2.02	16.34	64.77	1481.38
FT-SE-A Fledgling	1101.03	+0.1	1099.74	1097.95	1096.65	–	2.87	1.29	33.83	31.63	1135.72
FT-SE-A Fledgling ex Inv Trusts	1103.56	+0.1	1101.95	1100.35	1098.89	–	3.02	1.33	31.03	30.59	1137.40

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3674.9	3665.8	3663.4	3664.1	3667.3	3662.1	3660.0	3661.5	3668.8	3674.9	3659.2
FT-SE Mid 250	3966.6	3964.9	3964.7	3965.7	3968.1	3968.9	3968.3	3968.2	3968.8	3969.2	3964.4
FT-SE-A 350	1819.9	1915.9	1815.0	1815.4	1816.9	1914.9	1814.0	1814.6	1917.5	1819.9	1913.7

Time of FT-SE 100 Day's high: 8.30am Day's low: 1.36pm. FT-SE 100 1995 High: 3680.4 (1/12) Low: 2954.2 (23/1).

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	995.6	995.1	995.6	998.7	1002.1	1004.2	1004.2	1004.2	1003.1	1003.1	995.0	+8.1
Pharmaceuticls	4946.4	4928.7	4930.1	4938.3	4939.5	4938.0	4934.4	4934.9	4960.9	4966.9	4956.7	+11.2
Water	2123.9	2125.1	2124.5	2125.3	2126.9	2127.9	2127.5	2127.9	2125.3	2125.3	2113.9	+11.4
Banks, Retail	4213.6	4204.3	4206.0	4205.1	4209.5	4207.0	4207.1	4207.3	4224.9	4224.5	4213.9	+10.7

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1995. © The Financial Times Limited 1995. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. NAME CHANGE: Dalepak Foods is now Cavaghan & Gray Grp. (Fledgling).

TRADING VOLUME

Major Stocks Yesterday (Vol. 000s, Closing price, Day's change)

[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent. All trades are rounded.

هكذا من الأصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 4 / Sch)

BELGIUM/LUXEMBOURG (Dec 4 / Frs.)

CZECH REP (Dec 4 / Koruna)

DENMARK (Dec 4 / Kr)

FINLAND (Dec 4 / Mka)

FRANCE (Dec 4 / Frs.)

GERMANY (Dec 4 / Dm.)

GREECE (Dec 4 / Drachma)

ITALY (Dec 4 / Lire)

NETHERLANDS (Dec 4 / Fls.)

NORWAY (Dec 4 / Kroner)

POLAND (Dec 4 / Zloty)

PORTUGAL (Dec 4 / Escudo)

SPAIN (Dec 4 / Pts.)

SWEDEN (Dec 4 / Kronor)

SWITZERLAND (Dec 4 / Frs.)

TURKEY (Dec 4 / Tk Lira)

PACIFIC

JAPAN (Dec 4 / Yen)

AUSTRALIA (Dec 4 / Aus$)

HONG KONG (Dec 4 / H.K.$)

INDONESIA (Dec 4 / Rupiah)

MALAYSIA (Dec 4 / MYR)

NEW ZEALAND (Dec 4 / NZ $)

SINGAPORE (Dec 4 / S$)

SOUTH KOREA (Dec 4 / Won)

TAIWAN (Dec 4 / TW $)

THAILAND (Dec 4 / Baht)

AFRICA

SOUTH AFRICA (Dec 4 / Rand)

NORTH AMERICA

CANADA

TORONTO (Dec 4 / Can $)
3:30 pm

MONTREAL (Dec 4 / Can $)
3:30 pm

INDICES

US INDICES

Dow Jones	Dec 1	Nov 30	Nov 29	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	5087.13	5074.49	5105.56	5105.56 (29/11)	3832.08 (30/1)	5105.56 (29/11/95)	41.22 (2/7/32)
Home Bonds	104.82	104.85	104.53	104.82 (1/12)	93.63 (3/1)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2082.25	2070.32	2077.20	2082.25 (1/12)	1473.19 (3/1)	2082.25 (1/12/95)	12.32 (8/7/32)
Utilities	216.12	215.79	218.70	219.08 (25/10)	183.03 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5133.02 (5143.13) Low 5038.36 (5058.17) (Theoretical)
Day's high 5107.08 (5118.93) Low 5073.41 (5074.49) (Actual)

Standard and Poors							
Composite ‡	606.98	605.37	607.64	607.66 (29/11)	459.11 (3/1)	607.66 (29/11/95)	4.40 (1/6/32)
Industrials	712.19	711.57	714.47	714.47 (29/11)	546.28 (3/1)	714.47 (29/11/95)	3.62 (21/6/32)
Financial	61.97	61.46	61.23	61.97 (1/12)	41.64 (3/1)	61.97 (1/12/95)	8.64 (1/10/74)
NYSE Comp.	324.43	323.59	323.99	324.43 (1/12)	250.73 (3/1)	324.43 (1/12/95)	4.46 (25/4/42)
Amex Mkt Val	536.84	537.37	533.03	553.58 (12/9)	433.12 (6/1)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Cmp	1055.31	1059.22	1057.57	1067.40 (13/9)	743.58 (3/1)	1067.40 (13/9/95)	54.87 (31/10/72)

■ RATIOS

	Dec 1	Nov 24	Nov 17	Year ago
Dow Jones Ind. Div. Yield	2.30	2.32	2.35	2.84
	Nov 29	Nov 22	Nov 15	Year ago
S & P Ind. Div. yield	2.00	2.01	2.03	2.46
S & P Ind. P/E ratio	18.64	18.36	18.37	18.42

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Vodafone	18,360,700	35½	-½
K-Mart	8,138,100	8¾	+¾
Magma Copr	6,780,300	27⅝	+6⅛
Hanson	6,074,600	14⅛	-1
Motorola	5,715,200	60⅝	-⅞
Telefonos	5,234,300	33⅛	+⅛
Micron	5,032,300	51⅞	-2⅜
Office Depot	4,068,000	23⅝	-⅞
Air Exp	4,022,000	10⅝	+1¾
Humana	3,834,100	27⅝	-⅞

■ TRADING ACTIVITY

● Volume (million)

	Dec 1	Nov 30	Nov 29
New York SE	392.656	439.480	396.243
Amex	22.420	22.649	18.905
NASDAQ	507.970	557.087	546.279
NYSE			
Issues Traded	3,082	3,082	3,084
Rises	1,400	1,363	1,342
Falls	928	1,009	937
Unchanged	754	710	805
New Highs	205	216	193
New Lows	29	27	19

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	608.30	609.20	+0.90	609.20	608.10	82,855	173,566
Mar	614.30	614.50	+0.70	614.60	614.25	13,304	51,200

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	18950.0	18900.0	-80.0	19110.0	18860.0	20,648	113,404
Mar	18990.0	18920.0	-70.0	19160.0	18920.0	26,963	96,932

Open interest figures for previous day.

INDEX FUTURES

■ TOKYO - MOST ACTIVE STOCKS: Monday, December 4, 1995

	Stocks Traded	Closing Prices	Change on day
Nikko Secs	13.3m	1130	
NKK Corp	9.2m	285	+1
Nippon Steel Corp	6.3m	355	-2
Mitsubishi Hvy	5.7m	817	-6
Toshiba Corp	5.0m	750	-4
Tokai Carbon	4.8m	552	+35
Kansai Elect Power	4.8m	2470	+50
Mitsui Min & Sml	4.1m	419	-6
Mitsubishi Matl	3.9m	526	
Kobe Steel	3.7m	300	+2

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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3:30 pm December 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19	12¾	AAR	0.40	2.6	25	146	18⅝	18½	18½	-⅛
40¼	23	AMP	0.92	2.3	20	9057	40	39⅝	39¾	
80¾	53⅞	AMR			17	2614	76⅞	75½	76⅞	+⅞
47⅞	38⅞	ASA	1.71	4.4	23	549	39	38½	39	+⅝
44¾	30¾	Abbott	0.84	2.1	78	19833	39¾	39¼	39⅝	+⅛
16⅞	12	AbitiBi Pr x	0.40	2.8	6	506	15½	15⅜	15½	+⅛
29¼	21	ABM Ind	0.60	2.1	15	381	u28½	28	28½	+½
17½	15⅛	Acptncain			10	160	14¾	14½	14¾	
37¼	21⅞	ACE Ltd	0.56	1.5	6	2359	38½	35⅞	38½	+⅛
9⅞	8⅛	ACM Gvt In x	0.90	9.4	6	315	9¾	9⅝	9⅝	-⅛
7¾	6½	ACM GvOpp x	0.60	8.0		241	7⅛	7¼	7⅝	
7½	5¾	ACM Gvt Sp x	0.75	10.9		218	7	6⅞	6⅞	-⅛
6¾	7⅝	ACM Gvt Se x	6.23	10.4		600	u8¾	8⅝	8⅝	
8⅛	7⅝	ACM Man x	0.90	10.1		223	9	8⅞	8⅞	-⅛
29¼	19¼	AcmeClv	0.48	2.1	40	108	23	22¾	23¾	+⅛
38¾	7⅞	Acme Elect			78	81	8⅝	9⅛	8½	-⅛
34½	23¾	Acordia x	0.72	2.6	15	60	28⅛	27⅞	28⅛	+¼
18¾	10½	Acuson			37	267	12¼	11⅞	11⅞	
19⅝	15⅝	Adams Expr	0.48	2.6	0	163	18½	18⅜	18½	+⅛
36⅞	27⅞	AdvMic			6	20124	20½	19⅞	20½	+1⅛
0⅞	5	Advest Grp	0.16	1.7	12	11	9¼	9⅛	9⅛	+⅛
27½	16⅛	Advo Inc	0.10	0.4	19	519	26⅝	26⅜	26½	+⅛
42⅞	24.60	Aegon	1.26	3.1	15	360	41⅞	41½	41⅞	+⅛
5⅞	3⅞	Aerflx			6	398	4¼	4⅛	4¼	+⅛
76⅞	48¾	AetnaL	2.76	3.8	34	6958	75½	78	72⅝	-⅞
44¼	31⅞	Aflac	0.52	1.3	12	3123	41¼	40⅝	41⅛	-⅛
28⅛	16	Ahmnsn	0.60	3.2	6	6162	20	27	27⅞	+¼
59½	45⅞	AirPrC	1.04	1.9	18	2376	55⅞	34⅝	55½	+⅛
29½	18⅞	Airbne Frt	0.30	1.1	27	656	28¾	28⅛	28½	
30	19⅝	Airgas Inc			23	868	23⅛	28½	28	+⅛

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Continued on next page

3:30 pm December 4

NYSE COMPOSITE PRICES

Continued from previous page

1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
32⅝	24¼	SaraLee x	0.60	2.1	10	4632	u32⅞	32⅛	32¾	+⅛
57¼	39⅝	SBC Cm	1.65	3.0	19	4984	55⅝	54⅞	55⅜	+⅝
27	20½	Scana Corp	1.44	5.4	17	435	26⅞	26⅝	26¾	+¼
16	14½	Scecorp	1.00	6.6	0	19052	15⅞	15	15¼	-⅛
11¼	8⅜	SchwabA	0.20	3.9	17	77	8¾	8½	8⅝	+⅛
50¼	37¼	ScheringP			28	384	45	44⅞	45	
58¼	35½	SchPl	1.16	2.0	21	4133	u58¼	57½	58¼	+⅞
69⅝	50⅛	Schlmb x	1.50	2.2	25	8329	67½	65⅛	67⅛	+2⅛
29	11¼	SchwabCh	0.16	6.7	25	3463	23⅞	23½	23¾	+¼
24⅞	11⅛	SciAtl x	0.06	0.4	22	2901	16⅞	15⅝	16¼	+¼
20	15⅛	Scotman	0.10	0.6	16	22	16½	16⅜	16½	+⅛
57¾	33½	ScottP x	0.40	0.7	18	3134	57¼	56⅞	57⅛	-¼
40⅝	26⅞	Scripps s	0.52	1.3	27	488	40	39¾	39¾	-⅛
21½	13⅞	ScudderNAmF	0.02	0.1		327	14⅞	14½	14¾	+¼
11⅞	8⅝	ScudderNSF x	0.10	1.4		275	11¼	11⅛	11⅛	-⅛
20	13⅜	SeaContB	0.70	3.9	2	16	18¼	18	18	-⅜
16¼	14⅝	SeaCt.4625 x	1.46	9.8		17	15¼	15	15	
54	22⅝	Sgate			11	4023	53⅞	51⅞	52¾	+1⅛
39½	25⅝	Seagrm	0.60	1.7	24	5192	36⅝	36	36	-⅜
22½	15¼	Seagull En			63	1572	19⅜	18⅝	19¼	+½
30¾	18	Sealed Air			26	674	30½	30	30½	+⅜
40⅝	30⅜	SearsR x	0.92	2.4	10	3126	38⅞	38	38⅝	+¼

1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
140¾	96½	Xerox s	3.00	2.1	17	2286	u142	137	142	+4¼
52½	42⅛	Xtra Corp s	0.64	1.5	12	39	42⅝	d42¼	42¼	-½
23¼	18½	Yankee Egy	1.26	5.3	16	74	u23⅝	23	23⅝	+⅛
48½	34⅛	York Int	0.24	0.5	16	847	45⅛	44⅛	45⅛	+¾
4½	2½	Zapata	0.14	2.8	8	428	3¾	3⅝	3⅝	
12¼	6⅞	ZnithE			4	986	7½	7⅜	7⅜	-⅛
26⅞	19⅝	Zenith Nat	1.00	4.5	31	167	22¼	22	22¼	-⅛
6⅞	6⅛	Zenix Inc	0.72	10.9		190	6⅝	6½	6⅝	
16⅞	12⅝	Zero	0.44	2.8	18	62	15⅞	15¼	15¾	-⅛
28	16⅞	Zurn Ind	0.40	1.7	21	255	24¼	23⅞	24⅛	-⅛
11½	10¼	Zweig Fund	1.12	10.1		301	11¼	11⅛	11⅛	
0	7⅞	Zweig Tot	0.84	9.6		504	8¾	8⅝	8¾	+⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1995. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. ex-cdis. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

§ Dealings suspended.

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AMEX COMPOSITE PRICES

3:30 pm December 4

NASDAQ NATIONAL MARKET

3:30 pm December 4

AMERICA

Tech stocks spur gains in Dow, S&P

Wall Street

US share prices advanced in early trading as the bond market continued to soar and technology issues regained their footing, *writes Lisa Bransten in New York.*

At 1 pm, the technology-rich Nasdaq composite was 12.82 higher at 1,068.13. That put the index on track to break the closing high of 1,067.40 set on September 13. The Pacific Stock Exchange technology index added nearly 2 per cent in early trading.

Both indices were building on advances made last week as they recovered from weakness seen in the middle of November when investors worried about softening sales of semiconductors.

Semiconductor and semiconductor equipment companies were among the strongest performers. Intel added $1⅞ at $62⅝. Texas Instruments was $1⅛ stronger at $56⅛. Micron Technology was up $1¼ at $53⅛ and Applied Materials climbed $2 to $49.

LSI Logic forged ahead $6½ or 16 per cent to $47 and was the most actively traded issue on the NYSE, after unveiling a new chip that could power a new breed of low-cost computers designed solely to provide users with access to the internet.

Gains in technology helped spur gains in broader indices. At 1 pm, the Dow Jones Industrial Average was up 14.09 at 5,101.22. The Standard & Poor's *500 was 4.28 stronger* at 611.26, and the American Stock Exchange composite added 1.03 at 537.67. New York SE volume came to 224m *shares.*

Also helping US share prices was a continuation of last week's sharp rally on the bond market. Around 1 pm the benchmark 30-year Treasury had added more than a point, sending the yield down to 6.014 per cent.

Shares in the three US carmakers were higher after reporting late last week that November sales were not as poor as the October figures. General Motors added $1⅝ at $51, Chrysler was $1¼ stronger at $53⅞ and Ford moved forward $⅜ to $29⅞.

Internet-related companies were mixed. Netscape Communications jumped $8¼ or 6 per cent to $145¾ and Spyglass was $3 stronger at $109¾, while UUNET slumped $2 at $74½. The volatile American Stock Exchange internet index added 3 per cent.

Canada

Toronto was firm in midday trade, helped by a strong gold sector and aided by a higher US bond market that pulled up Canadian bonds. The TSE 300 composite index was 20.38 ahead by noon at 4,694.40 in volume of 27.2m shares.

Royal Bank of Canada, the country's largest, picked up C$⅝ to C$32¼ ahead of fourth-quarter results due today.

High-technology stocks were mixed. Metroworks, the software maker, jumped C$2⅝ to C$20¼ and Newbridge Networks, the computer network*ing group, picked up C$2¼ to* C$59⅝. Gandalf Technologies gave up C$1⅛ to C$25¼.

Chile surges ahead

Santiago surged ahead in busy midday trade on expectations of a flood of new capital into the market after the IFC's decision to raise Chile's weightings in its stock index from 1.9 per cent to 7.3 per cent from January.

The weighted IPSA index ended the second round 2.6 per cent higher at 99.2, while the general IGPA index firmed 1.6 per cent to 5,696.28.

MEXICO CITY was higher at midday in cautious trade after Mr Carlos Salinas, *the former* president, accused one of his predecessors of trying to destabilise the country. The IPC index had gained 11.98 at 2,715.40.

CARACAS inched forward in midday trade as investors reacted positively to opposition party gains in Sunday's elections, which were regarded as a prelude to changes of economic policy.

The Merinvest composite index picked up 0.06 to 137.08.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1995	Start of 1995	Start of 1995
Austria	+2.70	+2.25	-10.42	-11.92	-3.42	-5.51
Belgium	+2.57	+5.03	+9.65	+10.86	+21.29	+16.68
Denmark	+3.38	+2.76	+5.45	+3.61	+15.20	+12.72
Finland	+4.86	-1.42	+7.80	+7.79	+21.51	+18.89
France	-3.20	-0.46	-5.15	-1.48	+7.58	+5.26
Germany	+2.90	+3.31	+7.46	+4.76	+14.84	+12.36
Ireland	+0.20	+4.43	+22.53	+19.39	+25.21	+22.51
Italy	-1.02	-4.80	-9.80	-10.62	-7.54	-9.54
Netherlands	+2.35	+5.56	+15.52	+13.30	+24.15	+21.47
Norway	+0.57	+1.51	+5.38	-0.07	+8.63	+8.28
Spain	+0.80	+8.59	+7.02	+12.65	+22.91	+20.26
Sweden	-0.11	+1.05	+19.09	+21.82	+41.37	+38.32
Switzerland	+1.53	+4.05	+25.96	+23.44	+40.55	+37.51
UK	+1.36	+4.73	+19.81	+18.78	+18.78	+16.21
EUROPE	+0.98	+3.29	+11.84	+11.52	+18.58	+16.02
Australia	+0.46	+3.32	+13.76	+13.09	+10.11	+7.74
Hong Kong	+4.19	+0.11	+12.33	+15.86	+18.43	+15.87
Japan	+3.89	+4.40	-0.68	-3.18	-2.57	-4.67
Malaysia	+6.39	+5.98	-3.55	-1.68	+1.28	-0.91
New Zealand	-0.02	-2.20	+4.96	+10.11	+14.12	+11.87
Singapore	+2.41	+2.66	-0.56	-1.20	+4.09	+1.84
Canada	-0.38	+3.13	+14.05	+10.32	+15.85	+13.35
USA	+0.96	+2.68	+35.12	+32.23	+35.14	+32.23
Mexico	+5.42	+15.85	+6.04	+11.05	-26.59	-28.18
South Africa	-0.31	+2.22	+17.62	-1.44	+11.99	+9.57
WORLD INDEX	+1.78	+3.28	+14.97	+13.33	+16.88	+14.35

† Based on December 1 1995. © Copyright 1995 Financial Times Limited, Goldman, Sachs & Co, Standard & Poor's. All rights reserved.

EUROPE

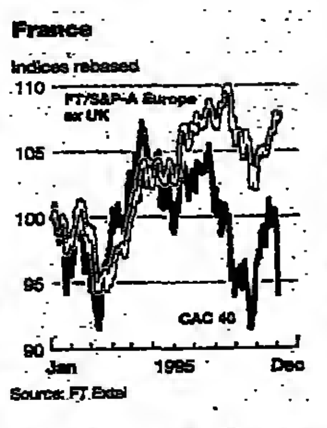
Pechiney goes ahead in spite of 2.5% Paris drop

The most sensational event in PARIS happened after the mar*ket closed another 2.5 per cent* down, after last week's near 4 per cent decline: the French Finance Ministry went ahead with the privatisation of Pechiney, right at the bottom end of its indicative price range of FFr187 to FFr215 a share.

Mr Michael Woodcock at Williams de Broë noted that the price of FFr187 was virtually equivalent to last night's price of the investment certificates in the aluminium and packaging group: an intuitive FFr2.20 higher at FFr207, when the CAC-40 index *had* closed 46.05 lower at 1,774.86. Some observers had predicted that the Pechiney offer would be withdrawn altogether.

Meanwhile, said Mr Woodcock, it was some of the country's most widely held interna*tional stocks that were sold on* the day. Turnover rose to FFr3.8bn as Elf Aquitaine dropped FFr14.40 to FFr332.10, Rhone Poulenc A by FFr3.70 to FFr103.30 and Lafarge by FFr8 to FFr306.

One of the day's biggest losers was Navigation *Mixte*, the diversified conglomerate which was subject to a boardroom coup earlier this year at the instigation of its largest single shareholder, Paribas. The group last Friday said it expected a FFr300m to FFr500m loss for 1995; yesterday it fell FFr61 to FFr699, down 33 per cent since the coup; Paribas slid FFr8.10 to FFr262, down 14 per cent *over the same period.*



Source: FT Extel

FRANKFURT was ensnared for most of the day by dollar weakness and the interlinked worries about political and industrial strife in France, but a late recovery in the dollar and the French franc allowed the Dax index to *close near its* day's high, at an Ibis-indicated 2,261.08, off 5.48.

Some of the standard cyclicals were marked down but turnover was just DM4.2bn and the share price moves looked precautionary: BMW, the worst performer among the big blue chips, fell less than 1 per cent at DM778.50, down DM7.50.

The main blue chip winners were also less than convincing. Karstadt and Kaufhof rose DM6 to DM595 and DM4.80 to DM447.50 on reports of brisk holiday shopping last Saturday, the first in the Christmas season when stores were allowed to stay open past the usual, 1300 GMT closing time. Six days earlier, the sector had been weak on reports that business was slack.

Among second liners, Bertelsmann rose DM5 to DM155 as a subsidiary was cleared to join the controlling shareholders in Monegasque des Ondes, active in television broadcasting and sale of advertising time through the Tele Monte Carlo channel; Fresenius, the pharmaceutical equipment group, rose DM50 to DM1,500 as it refused to comment on a report saying it was in talks with WR Grace about buying a dialysis unit; and Kolbenschmidt, the car parts *maker, closed DM3 higher* at DM208 on more than quadrupled 1994-95 profits.

ZURICH recouped early losses to close at another all time high as the early, lower prices brought out buyers willing to overlook lower bonds and the easier dollar. The SMI index finished 17.2 higher at 3,278.4. Nestlé continued to find strong demand from international investors, rising SFr18 to SFr1,281.

Winterthur, which had lagged behind recent gains by other leading insurers, rose SFr21 to SFr827 as Credit Suisse and Goldman Sachs set warrants on the stock.

The recently pressured Sulzer jumped SFr16 to SFr664 as the chief executive said that the technology group remained convinced that it can achieve profits next year that will match 1994, after an expected slump in 1995.

Elsewhere, Swissair dropped SFr17 to SFr843 on profit-taking after last week's gains.

MILAN saw a second successive setback for Eni, the energy group privatised last week, raising severe doubts about government plans for further sales of state assets next year.

Eni fell L147 to L4,930, compared with the issue price of L5,250 for the company's listing in Milan, London and New York last Tuesday. Previous privatisation issues followed the same downward path: the former state banks, Credito Italiano and BCI, and the former state insurer, Ina, all saw their share prices sink after their privatisations last year.

Eni's performance pulled the broad market down, taking the Comit index 5.79 lower to 550.02 and leaving the real-time Mibtel index 69 off at 8,804.

Olivetti showed resilience, ending flat at L1,108, but many dealers believed that the stock was being propped up during its capital increase.

AMSTERDAM reflected the opening decline on Wall Street, the AEX index ending just 0.11 better at 477.88 after an earlier high of 478.77. Nedlloyd, the *transport and shipping group,* recovered Fl 1.70 to Fl 31.80 following last week's drop on disappointing third quarter earnings figures; and KLM, the flag airline, rose Fl 1.40 to Fl 57.70 in spite of corporate denials that the company could be *involved in a merger plan* involving British Airways and American Airlines.

STOCKHOLM saw S-E Banken lifted by SKr3 to SKr54.50 after Saturday's Riksbank statement that the krona was now strong enough for a cut in the central bank's key repo rate, as long as the strengthening proved stable. But news of pulp price cuts left the forestry sector down 2 per cent. Ericsson B fell SKr4 to SKr150.50 after Nokia's losses in Helsinki, and the Affärsvärlden General index closed 6.8 lower at 1,738.6.

HELSINKI was at the mercy of Nokia, some 6 per cent down and trading below its Friday close in New York; the Hex index fell 43.08, or 2.2 per cent *to 1,880.21 with Nokia A, down* FM16 at FM220, making up 45 per cent of turnover.

Written and edited by William Cochrane and Michael Morgan

FT-SE Actuaries Share Indices

Dec 4								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1446.52	1446.39	1446.80	1447.00	1444.94	1444.01	1445.37	1446.02
FT-SE Eurotrack 200	1557.99	1558.75	1557.72	1558.96	1557.89	1558.75	1556.43	1557.68

	Dec 1	Nov 30	Nov 29	Nov 28	Nov 27
FT-SE Eurotrack 100	1457.96	1454.02	1461.76	1461.25	1462.30
FT-SE Eurotrack 200	1564.86	1562.18	1569.96	1567.62	1560.91

Base 1000 (26/10/90) High/day: 100 - 1447.70; 200 - 1560.26 Low/day: 100 - 1443.60 200 - 1555.05 † Partial

ASIA PACIFIC

Nikkei fails to hold 19,000 as Karachi jumps 3.5%

Tokyo

The Nikkei average broke through 19,000 in early trading on active buying by domestic institutions, but it failed to hold that level, *writes Emiko Terazono in Tokyo.*

The 225-*share* index closed 64.27 up at 18,897.37 after touching extremes of 19,062.18 and 18,889.00. Active purchases by Nissay Investment Trust Management, an investment trust affiliated to Nippon Life, the leading life insurance company, took equities above the 19,000 level for the first time in 11 months before profit-taking by corporate and financial institutions eroded most of the gains.

Volume totalled 461m shares, against 534m. Traders said Nissay bought about Y23m worth of shares, of which one third was executed at the market's opening. Foreign investors were also among the buyers. The Topix index of all first section stocks rose 5.06 to 1,502.71 *and the Nikkei 300* put on 0.87 at 282.31. Advances led declines by 644 to 402, with 165 issues unchanged.

In London the ISE/Nikkei 50 index eased 0.66 to 1,289.69.

The fall in the dollar against the yen also prompted some profit-taking. However, investors were encouraged that the Nikkei managed to remain above 18,758, regarded as a technical resistance level. "Market participants see 19,200 as the next important level," *said one broker.*

Insurers were sought as speculation mounted about an imminent cut in interest rates in the US, Germany and Japan. Tokio Marine and Fire appreciated Y30 to Y1,220 and Mitsui Marine and Fire Y9 to Y716.

Bank shares were boosted by the coalition government's proposal to solve the jusen, or housing loan, problem. Sumitomo Bank added Y40 at Y2,060 and Mitsubishi Bank Y30 at Y2,300. Brokers were also higher, with Nomura Securities up Y30 to Y2,050 and *Daiwa Securities Y20 to* Y1,440. Nikko Securities was the day's most active issue but stayed at Y1,130.

In Osaka, the OSE average gained 52.75 at 20,324.48 in volume of 99.3m shares. Aoyama Trading, the discount retailer, climbed Y100 to Y3,190. Investors were encouraged by the company's plan to improve its profitability by offering higher value added items rather than large discounts.

Roundup

Sunday brought unwonted quiet to KARACHI, where trading was suspended for the day because few brokers turned up due to a strike called by the Mohajir National Movement *(MQM); but it sowed the seeds* of a further 3.5 per cent equity recovery yesterday after Mrs Benazir Bhutto, the Pakistani prime minister, ordered that some privatisation proceeds be released for investment in stocks.

The KSE 100 index jumped 47.34 to 1,416.78, dealers noting renewed buying by institutions, and an index-linked bias.

BANGKOK climbed 2.4 per cent. Brokers reported Japanese, UK and US buying, *mainly of finance issues,* with locals joining in as the SET index moved 29.01 higher to end at 1,254.32.

Turnover was Bt10.04bn, the highest figure since September 15. Sentiment was also said to have improved on unofficial news that the Thai consumer price index was unchanged in November.

SYDNEY hit a 22-month peak, brokers crediting BHP, better investor sentiment and a bullish futures market for strong buying interest as the All Ordinaries index rose 39.5 or 1.8 per cent to 2,202.8 in turnover of A$630.2m.

BHP advanced to a 10-week high, adding 52 cents at A$18.96 on the US$2.4bn Magma Copper acquisition. Among industrials, Coca Cola Amatil reached a peak for the year, rising 46 cents to A$11.40 after it announced Polish bottling purchases worth A$104m.

Media stocks were also a feature after a programming alliance between Mr Kerry Packer's Publishing and Broadcasting, and the Seven Network major shareholder News Corp. Publishing and Broadcasting rose 25 cents to A$5.00. News Corp by 21 cents to A$7.38 and the oft-rumoured Packer target John Fairfax by 15 cents to A$2.85.

JAKARTA saw active late buying in Telkom and some banking issues, and the JKSE index moved ahead 7.20 or 1.5 per cent to 493.92. Lippo Bank put on Rp400 at Rp3,975, with some 2.8m shares traded on foreign-triggered buying, and Telkom Rp50 at Rp2,400 in approaching 12m dealt.

TAIPEI reversed a firm opening to close sharply lower, as disappointed investors sold in late trade after a post-election rally ran out of steam.

The weighted index opened 1.2 per cent up after the ruling Nationalist party won more than 50 per cent of the seats in Saturday's parliamentary elections. But it ended 64.05 or 1.3 per cent down at a low for the session of 4,745.89.

Brokers attributed the failed rally to the Nationalists' slim majority, triggering worries over the new parliament's ability to pass legislation.

KUALA LUMPUR extended its gains on purchases by recently inactive local institutions, but ended off the day's highs as profit-taking set in.

The composite index was finally 9.70 ahead at 985.24 after an intra-day peak of 988.00. Banks and index-linked stocks were again targets of buying as institutions prepared portfolios for next year.

HONG KONG finished with solid gains but off steep early highs, with profit-taking kicking in as the market neared the 10,000-point psychological cap. The Hang Seng index registered a rise of 78.08 at 9,940.63, off the day's high of 9,971.68. Turnover, however, dropped to HK$3.7bn from Friday's HK$5bn.

HSBC climbed HK$1 to HK$115.50 and Hong Kong Telecom 25 cents to HK$13.35.

SEOUL edged higher in thin trading on some bargain hunting, but brokers said sentiment was still depressed by worries over political uncertainty surrounding the arrest of two former presidents.

The composite index closed 3.72 better at 934.95.

Blue chips were mixed. Samsung Electronics rose Won2,000 to Won144,500, while Korea Mobile Telecom gained Won3,000 at Won500,000.

S African shares edge ahead

Johannesburg edged ahead in listless trade as continued support for the bullion price rekindled bullish sentiment towards gold issues.

The overall index rose 12.4 to 5,982.2, industrials gained 12.4 at 7,651.2 and golds picked up 11.2 to 1,287.

Shares in the newly listed insurance group, Norwich Holdings, finished at R5.95 after opening at R5.70 and briefly touching a R5.65 low.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY DECEMBER 1 1995								THURSDAY NOVEMBER 30 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (82)	184.92	-0.5	179.11	118.45	138.93	166.44	0.1	5.67	185.77	180.07	118.22	139.59	166.18	191.01	157.86	168.99
Austria (27)	172.68	2.1	167.25	110.60	129.73	128.66	2.1	1.60	169.05	163.88	106.49	127.02	126.65	199.28	167.48	177.12
Belgium (35)	199.89	1.0	193.61	128.04	150.18	146.57	1.1	3.57	197.98	181.89	127.05	148.75	144.85	201.12	164.78	167.71
Brazil (28)	141.55	0.3	137.10	90.87	106.35	251.72	0.3	1.67	141.15	136.82	90.59	106.06	251.00	180.75	86.06	172.74
Canada (101)	146.66	-0.5	142.05	93.94	110.18	144.99	0.3	2.56	147.05	142.54	94.38	110.49	144.59	150.83	121.81	127.67
Denmark (33)	283.83	0.7	274.91	181.90	213.24	215.95	0.7	1.51	281.74	273.09	180.81	211.70	214.39	295.89	238.61	244.78
Finland (25)	221.09	0.1	214.14	141.81	166.10	199.37	0.1	1.81	220.99	214.21	141.83	166.05	199.18	276.11	171.15	180.93
France (100)	172.15	-0.6	166.74	110.27	129.34	134.89	-0.2	3.25	173.13	167.81	111.11	130.09	135.23	181.17	157.79	168.20
Germany (59)	161.03	0.9	155.97	103.14	120.98	120.98	0.9	1.99	159.62	154.72	102.44	119.94	118.94	167.74	135.39	137.74
Hong Kong (55)	377.90	0.8	366.03	242.06	283.92	375.34	0.8	3.90	375.77	364.24	241.17	282.36	373.17	389.39	277.40	336.52
Ireland (16)	252.65	0.3	244.72	181.83	189.82	224.64	0.2	3.40	251.76	244.04	181.56	189.18	224.09	260.67	195.34	200.31
Italy (59)	68.11	0.5	65.97	43.63	51.17	81.53	0.6	1.79	67.88	65.80	43.56	51.00	81.08	82.71	65.45	74.91
Japan (483)	149.61	1.2	144.91	95.83	112.40	95.83	1.0	0.90	147.82	143.29	94.87	111.07	94.87	164.82	136.95	153.99
Malaysia (108)	475.01	5.0	460.09	304.26	356.99	463.52	2.9	1.78	481.24	447.09	298.02	348.59	450.48	551.96	386.18	488.09
Mexico (18)	1017.12	-0.5	985.15	651.48	764.15	8468.38	0.8	1.64	1021.96	990.59	655.87	767.69	8396.93	2123.04	647.81	2123.04
Netherland (19)	263.44	0.1	255.18	168.74	197.93	194.81	0.1	3.38	263.22	255.14	168.93	197.79	194.33	264.28	207.60	209.71
New Zealand (14)	78.67	-0.5	76.20	50.39	59.10	64.35	0.1	4.51	79.06	76.64	50.74	59.41	64.29	85.49	59.56	72.74
Norway (33)	226.56	0.3	219.44	145.12	170.21	195.66	0.2	2.14	225.82	218.89	144.93	169.68	195.17	243.79	198.73	199.98
Singapore (44)	379.91	-0.3	367.87	243.34	285.43	247.64	-0.1	1.64	381.23	369.54	244.67	286.46	247.80	414.26	313.94	369.02
South Africa (45)	368.93	0.2	367.34	236.51	277.17	285.58	0.1	4.04	368.35	357.04	236.40	275.77	285.23	376.86	281.08	323.01
Spain (38)	158.69	0.6	153.70	101.64	119.22	148.24	0.8	3.84	157.68	152.54	101.19	118.48	146.98	160.51	124.10	139.38
Sweden (47)	318.67	0.5	309.63	204.76	240.17	309.86	0.3	1.84	318.06	308.31	204.15	239.00	308.07	321.99	225.60	233.10
Switzerland (40)	227.15	0.4	220.01	145.50	170.65	185.44	0.5	1.61	226.31	219.36	145.24	170.05	184.67	230.31	158.58	159.35
Thailand (46)	156.95	5.0	152.02	100.53	117.92	153.27	5.0	2.85	152.34	147.67	97.77	114.47	148.76	184.55	130.15	159.67
United Kingdom (206)	226.42	0.5	218.30	145.03	170.11	219.30	0.4	3.99	225.36	218.44	144.63	169.34	218.44	228.35	167.07	193.48
USA (640)	248.27	0.1	240.48	159.02	186.52	248.27	0.1	2.25	247.89	240.28	159.09	186.25	247.89	248.97	182.33	183.74
Americas (787)	226.33	0.1	218.22	144.97	170.04	190.22	0.2	2.25	226.02	218.06	145.06	169.83	189.91	226.95	170.86	172.06
Europe (737)	196.02	0.4	189.85	125.56	147.27	167.97	0.4	5.03	195.27	189.28	125.32	146.73	167.28	199.02	163.64	167.42
Nordic (138)	284.90	0.5	275.94	182.48	214.04	240.00	0.3	1.84	283.60	274.90	182.01	213.10	239.27	295.02	215.79	222.14
Pacific Basin (832)	159.68	1.1	154.66	102.28	119.87	106.08	1.0	1.24	157.92	153.07	101.35	118.66	105.05	171.87	145.93	161.92
Euro-Pacific (1569)	174.72	0.8	169.25	111.81	131.28	129.50	0.7	2.08	173.38	168.06	111.27	130.28	128.66	178.33	154.73	164.12
North America (741)	241.99	0.1	234.38	155.00	181.80	241.35	0.2	2.26	241.66	234.23	155.08	181.67	240.97	242.70	176.66	180.26
Europe Ex. UK (531)	175.44	0.3	169.92	112.37	131.80	140.51	0.4	2.48	174.86	169.48	112.22	131.39	139.71	179.48	148.45	148.78
Pacific Ex. Japan (349)	256.53	0.7	248.47	164.31	192.73	226.47	0.9	5.27	254.81	246.99	163.53	191.47	224.47	266.72	211.19	240.62
World Ex. US (1761)	175.70	0.7	170.18	112.54	132.00	133.21	0.7	2.12	174.45	169.08	111.98	131.08	132.29	178.73	155.42	165.99
World Ex. UK (2195)	195.17	0.5	189.04	125.01	146.63	181.21	0.5	1.99	194.24	188.28	124.99	145.95	180.45	195.17	163.48	166.89
World Ex. Japan (1918)	225.07	0.3	217.99	144.16	169.09	211.31	0.3	2.61	224.49	217.90	144.08	168.68	210.68	225.35	176.95	181.79
The World Index (2401)	197.91	0.5	191.69	126.77	148.69	165.29	0.5	2.18	196.97	180.92	126.41	148.00	165.52	197.91	165.92	170.88

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هكذا من الاصل

ENERGY EFFICIENCY

Pollution threat is the driving force

There is a world consensus on the need to limit dangerous climatic changes by using fuel more carefully. Leyla Boulton on prospects for reaching this goal

The environment has become the chief driver behind efforts to improve levels of energy efficiency as the end of the 20th century approaches.

Until the late 1980s, the impetus to make more efficient use of energy came mainly from its high cost, and a wish by countries to reduce their dependence on energy supplies imported from abroad. Since then, a sharp fall in the price of oil and the discovery of substantial new reserves of oil and gas around the world have alleviated these pressures.

But developed nations and – to an increasing extent – fast-growing developing nations have been spurred on to more efficient energy use by evidence that the burning of fossil fuels contributes importantly to the poorly-known phenomenon of climate change.

This view was strongly reinforced by an international team of meterological experts who reported last week that "the balance of evidence suggests that there is a discernible human influence on global climate". Their forecast – that the earth's mean surface temperature would be 2 degrees higher in 2010 than in 1990 – will be considered at an intergovernmental conference in Rome this month.

It will further strengthen the consensus on the need to reduce carbon emissions from the burning of fossil fuels and to cut energy waste, an aim which also makes economic sense.

"The actions being proposed offer benefits in their own right," says Mohamed El-Ashry, chief executive of the Global Environmental Facility, the Washington-based multilateral fund set up to help developing countries combat global problems such as climate change.

"Should global warming prove to be a fallacy, nothing will be lost. When you talk of energy efficiency, how can this be bad for anyone's health or anyone's economy?"

"Eventually we're going to run out of oil. You're left with coal. We know what the consequences of coal are apart from carbon dioxide emissions – dust, acid rain, and smoke."

At the International climate change conference in Berlin in April, developed nations undertook to agree by 1997 specific targets to reduce their carbon emissions after the year 2000. These would build on the present, less formal, commitment to stabilise emissions by the year 2000 at 1990 levels.

Scepticism has been running high about the likely effectiveness of these agreements. Business and other critics have cited continuing scientific uncertainty over the exact nature of the threat as a reason to delay action. "This is not a catastrophe waiting to happen next week or in five years," says Mr Clement Malin, a Texaco executive who headed the largest business delegation at the Berlin conference.

"It is a strategic concern and we need to address it rationally. Better to take longer and to get it right. If time works on your side, alternative technologies may be fully competitive in 20 years' time."

There has also been a marked reluctance in developed countries to countenance any substantial changes to lifestyle for the sake of tackling a problem, the effects of which seem not just little known but remote in time. In western European countries such as Britain, energy taxation is already high compared with the rest of the world.

But the US, which accounts for a quarter of the world's carbon emissions, has rejected President Bill Clinton's proposals for a modest carbon tax, while the European Union failed this time last year to get through a harmonised carbon tax and has left it to individual countries to experiment with national schemes before revisiting the issue at a later date.

> Rich countries do not want to change their life style

Developing countries meanwhile have argued they cannot be expected to slow their attempts to catch up with western levels of prosperity because of a problem created by rich countries.

So far, the developed world has agreed to developing countries' demand that they should be entitled to financial assistance to help them to get involved in the process.

Berlin set in motion a pilot project to encourage developed world companies to transfer technology and investment, enabling less developed countries to reduce their emissions.

Ultimately, if environmental concerns do drive energy efficiency, the main motor for change will have to be technology. Businesses are likely to have strong pressures exerted on them to come up with their own solutions before external ones are imposed.

Mr El-Ashry is encouraged by the way costs of solar power have come down despite relatively low investment in it. Energy companies such as Enron, which has been working on solar power, have been actively involved in renewable energy research.

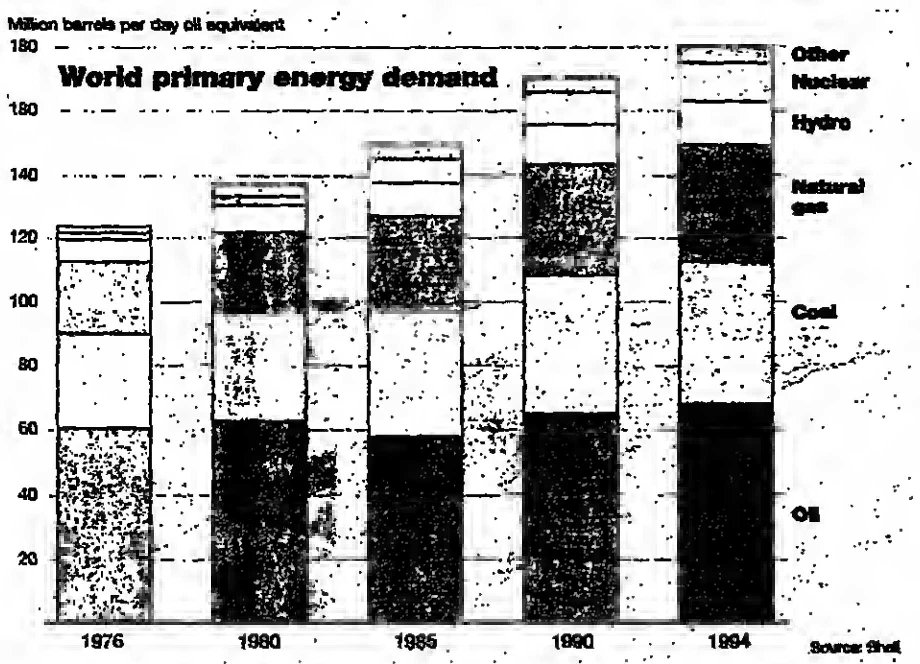
A workshop scheduled for February in Geneva will also explore the possibility of giving business, which has so far attended climate change meetings as lobbyist on the sidelines, a formal role in the climate change negotiations.

However, Dr Michael Grubb, a fellow at Britain's Royal Institute of International Affairs, who is also involved in the work of the Intergovernmental Panel on Climate Change, believes that at Berlin the business community failed to impress governments as a potentially worthy partner.

It displayed for the first time, he says, three separate ideological positions on climate change. At one extreme was a "hardline group of predominantly US, predominantly coal, interests" which "struggled to halt the tide towards some new steps". At the other, he saw the "sunrise" industries of renewable energy and energy efficiency joining forces with some gas companies and the insurance industry to support radical calls for emission cuts of 20 per cent by the year 2005.

"Stretched painfully and widely across the middle ground," adds Dr Grubb, "were the oil companies... suspecting that their long-term interests lay in going with the tide, or at least being seen not to be trying to stem it."

It will be up to the business community at large to prove with its contributions to energy efficiency over the long-term whether such categorisations are too dismissive.



HIGH ABOVE LONDON, Siebe Environmental Systems is installing wiring as part of a £1.5m contract to manufacture, install and commission a building management system.

It is part of a £85m refurbishment of 99 Bishopsgate, a prominent block in the City of London wrecked by an IRA bomb.

The system, designed by FHP, has to meet the environmental demands of the 1990s in a 20 year-old shell, as well as the new trend for multiple lettings.

Landlords Hammerson will be able to break down bills for occupiers because the building is zoned in quarters and floor-by-floor special motor controllers for the fan coils will also reduce energy consumption by up to half.

IN THIS SURVEY

Production Editor: Maurice Samuelson

■ **Commercial building design:** by David Lawson

Open the windows

Natural ventilation, taboo in many modern offices, may become respectable again

When stone age man dragged a pile of branches to block the wind whistling into his cave, he probably got no more reaction from the rest of his tribe than a reputation as an eccentric. They knew it was easier to burn the wood instead.

Only when the forests began to disappear did they wonder whether it might be worth sweating a little to build rudimentary doors.

Little has changed in 5,000 years. Some of the most sophisticated modern buildings are notoriously energy-intensive, but the costs fade before other charges. Occupiers have had little inclination to go hunting for branches.

Annual service charges on a top-quality office building in central London, for instance, are around £5.60 a sq ft (less than £61 a sq metre) compared with rents which top £30 a sq ft and went to twice that level in the boom years. Overall property costs are generally a minor component of most concerns' outlay, falling well behind staff overheads.

But the recession sent businesses scurrying through their accounts looking for ways of reducing costs and an awareness dawned that energy could be among the most cuttable of costs. It tops the list for the kind of energy-greedy office block which has become a standard in city centres around the world. Even less sophisticated buildings pay a heavy toll, however.

In the UK, for instance, prop

Continued on next page

■ **Waste-derived energy:** by Leyla Boulton

Swedes set a burning example

Incineration of refuse as power station fuel has advantages and its drawbacks

An industrial coalition of 20 members has launched a campaign with European Commission funding to galvanise support for incineration under the more glamorous beadlng of "recovering energy from waste".

The European Energy from Waste Coalition (EEWC), set up last November, is Swedish-dominated with members including representatives of the country's packaging, forestry, and waste management industries. This is partly because Swedish businesses such as Tetra Pak, one of the world's leading packaging manufacturers, bave a beavy interest in incineration of composite packaging which is not easily recycled.

The EEWC also points to the fact that combined heat and power plants fuelled by solid waste produce 15 per cent of local district heating in Sweden, one of tbe "greener" nations of Europe.

Non-Swedish members of the coalition include the US multinationals Procter & Gamble, which also generates a lot of packaging, Coca-Cola and the US-owned Waste Management International. The group even includes a UK local authority – Hampshire County Council – which favours incineration as a convenient way of getting rid of more of its waste.

Incineration has traditionally been associated with the production of dangerous cancer-causing byprodncts known as dioxins.

The EEWC argues, bowever, that technological advances in incineration mean that state-of-the-art plants which produce energy from waste can eliminste more than 70 per cent of dioxins generated hy the burning of municipal solid waste. A European Union directive on municipal waste incineration requires all plants which do not meet new dioxin safety limits to close by the end of next year.

In the UK, this will mean that all but one of 26 municipal solid waste incinerators will have to shut down or undergo multi-million pound refurbishments. The UK government expects this to give a 35 per cent cut in dioxin emissions from incinerators, wbicb account for 70 per cent of dioxin discharges into the air.

But Friends of the Earth, the UK-based environmental group, opposes incineration on several counts. "This has been wrapped up in new clothes because of the energy recovery component," says Mr Alan Watson, Friends of the Earth's spokesman on industrial pollution. But he argues that recycling is even more energy-efficient than incineration. Moreover, ash from the state-of-the-art plants is more toxic than tbat from older plants and poses even more of a danger when disposed of in landfill sites.

For this reason, he notes, Sweden bas been looking to vitrify the ash from its more modern incinerators. The problem is tbat the energy consumed in this process would substantially lessen the net gain of energy generated hy incineration.

Most importantly, environmentalist groups appear to fear that making incineration more respectable will take pressure off manufacturers to minimise the prodnction of non-recyclable waste. "If you can't recycle your products you should look seriously at your manufacturing technology to make materials that can be renewed," says Mr Watson.

He adds that incineration plants are so expensive that they are in danger of locking local anthorities into diverting as mnch waste as they can towards incinerators to make such plants profitable. "Should we let our waste strategy be determined by a few manufacturers who are asking society to follow the very expensive route of incineration to dispose of their problem?"

Mr Armand Colling, the European Commission official who supervises what he calls "symbolic" assistance for the EEWC, claims that "no well-intentioned environmentalist can deny there is a need to use waste in ways other than recycling. It would be ridiculous to say you can hurn oil in power stations, cars and bouses hut that you cannot heat homes with heat from oil from plastics prodnced with oil."

The programme half-funded by the Commission involves taking local authorities to visit state-of-the-art incineration plants. It should be an option when waste minimisation, reuse, or recycling are not possible.

Building designers rediscover fresh air

Continued from Page 1

erty consultants Jones Lang Wootton calculate that energy makes up more than a fiftb of service charges for air-conditioned blocks. Only the staff-intensive costs of security exceed the 13 per cent slice in other buildings.

Inroads are being made into this outlay. Energy costs in air-conditioned buildings have edged downwards recently after rising almost 50 per cent in the last decade, says tbe JLW annual report on service charges. But the minor scale of change implies there should be more to come.

"It is possible that savings by energy management measures have not yet been fully developed," says the study.

Another solntion to ameliorating the impact of air-conditioning is being championed by some architects and engineers, bowever – giving it up altogether. This might also provide spin-off benefits, such as eradication of the increasing problem of "sick buildings", which appear to harm the psychological and physical health of staff.

The whole idea of "stepping back" to naturally ventilated buildings has been ridiculed by some as idealistic and impractical. Yet one of the world's leading study centres, the Building Research Establishment (BRE), is taking it seriously enough to construct a life-size energy-efficient office along these lines at its site near Watford in England.

This is a joint venture between the government-backed centre and leading industrial suppliers aimed at testing various energy-saving ideas to mould the model office block for the 21st century.

"This will be a naturally-ventilated building which will be energy-efficient and comfortable," says Mr Mike Clift, the project sponsor. Just as important, it will be constructed in a way that can be widely copied. There are numerous examples of sucb buildings around the world but they tend to be one-off designs, often dismissed by developers and occupiers as too expensive or radical. "We will be using a number of innovative ideas and technologies but the basic philosophy is to be simple," adds Mr Paul Davidson, of the BRE.

The aim is to cut energy consumption by a third but still produce practical space for hoth cellular and open-plan offices. It will be ventilated via fresh air coming in through wall ducts and windows and tbe stale escaping through rooflights, chimneys and vents.

Other innovations include underfloor water pipes which draw beat from boilers or cold from a borehole, depending on the season. Corrugations in the concrete floor will increase surface area and direct airflow.

Energy-efficient lighting will also be locally controlled, as will heat and air, an important psychological factor for staff. Even the computerised system controlling dampers will have manual overrides.

New buildings are less important than existing ones, bowever, particularly wben development bas all bnt ground to a halt across most of tbe western world. These require solutions to ameliorate costs of around £1bn a year for beating, lighting and ventilation. Offices alone are estimated to consume an eighth of the UK's bills once transport used by staff is included.

Good management could cut costs by a quarter, according to a series of studies by the BRE for tha government's Best Practice awards. Many involve no capital expenditure. Up to a fiftb can be cut from bills merely by turning off lights and computers when unused. The average PC consumes 800kw of energy s year and requires almost half as mucb again to disperse the heat.

There are many similar simple steps which can bave a significant impact but the BRE saw little practical advice available to ordinary businesses. Two management aids have been developed to belp. The Office Toolkit, designed by the BRE and PA Consulting Group and road tested by eight big sponsors including the BBC and Prudential, produced some remarkable results.

This uses a points system to grade different activities. Managers can therefore determine which actions would have the biggest payback, a vital factor when justifying them to the board, according to Mr Paul Bartless, head of environmental assessment at the BRE.

"Without such as aystem, environmental campaigns tend to be picked at random," adds Mr Tony Bishop, PA Consulting environment manager.

Following Toolkit guidelines can cnt the average office worker's consumption by 5 per cent a year. As these average £4,000 (including husiness travel) a year, that saves £200 per person, says PA.

The other management tool involves an assessment of whole bnildings, commonly known as BREEAM testing. This can advise potential occupiers on how well various alternative accommodation performs in ecological terms. It can also be used as a checklist for action by businesses looking at existing premises.

Stone age man would have approved. He knew tbat branching into energy management was better than burning away his assets.

■ **Greenhouse politics:** by Leyla Boulton

Rocky road from Rio

The developed world has yet to meet its targets on the reduction of carbon emissions

The 1992 "earth summit" in Rio de Janeiro threw down the challenge of global warming. This year's Berlin conference put the developed world on the road to course translating theory into practice.

The Global Environmental Facility (GEF) was converted at Berlin from a pilot to a fully operative project to help developing countries combat global problems sucb as climata change.

Projects funded by the GEF range from belp to develop renewable energy sources to studies and programmes for rednclng emissions from fossil fuels. GEF's initiatives range from a $1m study of climate cbange in Argentina to $2m spent on reducing transport emissions in Tehran and contributions to the development of renewable energy in Tunisia and Mauritius.

More ambitiously, Berlin committed Indnstrialised nations to agree by 1997, when they meet again in Tokyo, on targets for reducing beyond the year 2000 carbon emissions from the burning of fossil fuels that are man's main contribution to global warming.

The focus has been on action by developed countries, which account for most of the damage caused so far. But while developing countries argue that they are entitled to the same opportunities for economic growth that created the present industrialised countries, there is an increasing realisation that they too will have to take action. The impact of any actions taken by the west in isolation could be wiped out by the increase in emissions in a country such as China which is expected to hecome one of the world's three largest economies in the 21st century.

"Everyone knows that the climate problem cannot in the long run be effectively addressed without action also in the developing world," says Dr Michael Grubb, a fellow of the Royal Institute for International Affairs in London and a lead author for the Intergovernmental Panel on Climate Change, the body set up by world governments to research the global warming problem. "One fundamental question on the table in Japan will be: how much does the industrialised world have to agree, given its moral and legal obligation to "lead" efforts, in order for the developing countries to start negotiating about their contrihution."

So far, the developed world has agreed to third world demands for financial assistance. As a result, Berlin launched a pilot project to encourage developed-world companies to transfer technology and investment enabling less daveloped countries to reduce their emissions.

Called joint implementation, this project stops short of the powerful incentives which the US government and many companies had said were needed to make the system work. These

> **The US is still impotent and the Europeans are immature**

would have consisted of credits for companies to credit emission reductions achieved abroad against domestically-imposed targets.

Mr Clement Malin, a Texaco executive who beaded the largest business delegation to the Berlin Conference, is one of many businessmen who argues that since climate change is a global problem "it does not make any difference where emissions are reduced". However, the credits were not included as a mandatory part of the pilot scheme bnt left to individual governments to decide whether they would devise such incentives on a national basis.

Such incentives are important because in addition to developing nations, western business is the other main constituency wbich has to be enlisted in the fight against climate change if it is to have any chance of success.

In the run up to tougher targets being agreed in 1997, serious doubts remain about the governments' own ability to deliver even those targets to which they are already committed: stabilising emissions by the end of the century at 1990 levels. Only a few countries such as the UK, and Germany, which started with a baseline of very high emissions from eastern Germany, are certain to meet their targets.

The US, which accounts for a quarter of the world's carbon emissions, is seriously hamstrung by a hostile Congress and powerful business lobbies, not to mention a lifestyle which militates against taxing the cheap petrol on which the widespread use of private cars thrives. Pressed to defend the Berlin agreement at Congressional hearings in Washington this summer, Tim Wirth, the US under-secretary of state who handles climate change negotiations, stressed that very littla had been achieved at Berlin. A cross-party attack from hostile congressmen pressed him to agree that the fight against global warming would harm US competitiveness and allow developing countries a "free ride" on the coat-tails of developed world sacrifices.

"What we've done in the 1990-2000 phase is to take steps which ecooomically make sense and happen to be benign for the environment. We have not in any way compromised or eroded our competitiveness," Wirth said.

He pointed to an environmental protocol signed with India last spring as proof that the developing nations were prepared to chip into the fight against global warming.

Dr Grubb, however, remains pessimistic about the ability of either the US or the European Union to make real progress in a process of which they are the titular leaders. "Most obviously the EU, which bas been so strident in calling for further emission targets and timetables, has yet to convince anyone that it has any idea of how to deliver on them."

Most problematic is the US, which, despite the highest per capita and total emissions in the world, seems the most frightened of constraints. To be blunt, in the politics of climate cbange, tbe US is still impotent and tbe Europeans immature.

■ **The view from Washington:** by Nancy Dunne

Consensus falls apart

The political right is waging a war of attrition against cash grants for energy saving

When the Republicans conquered both houses of Congress in last year's elections, the US Energy Department stood near the top of their "hit list". So did government regulation and "corporate welfare," which provides grants and subsidies for industry.

Almost a year later, all three – important motivators in the drive for energy-efficiency – are still standing. However, they have been weakened by Congressional assault, and the rightwing will be back for another go next year.

Over the past 10-15 years, Energy Department grants have powered the development of many energy-saving technologies. These include improved fluorescent lighting; the sulphur lamp, which is cheaper than conventional lighting; energy-efficient windows; and new ceramic materials to make engines more efficient.

The department's grants have also been critical in improving the energy efficiency of public buildings, low income housing and schools.

Critics of the department's conservation programmes say its commercial successes have been relatively few. The government, they say, should not be funding research which private industry can very well afford on its own.

President Bill Clinton came to office with a spotty environmental record. But he has been committed to the creation of government-business partnerships with the government helping to fund research on the technologies of the future.

The budget for energy conservation reflects the president's views. Spending rose from $576m in fiscal 1993 to $697m in fiscal 1994 and $791m in fiscal 1995. Hundreds of grants have gone to companies and states, to help fund basic research or encourage commercialisation of successful developments. In recent months, grants include:

- $5m in financial assistance to states to update and implement the energy efficiency provisions of their building codes. The department said this is part of an effort to save American consumers $38bn over the next 15 years.
- $6.2m in three cost share wind turbine power plants in Nebraska, Wyoming and Iowa. Industry's share is $52m.
- A $763,000 contribution to a $51m fund in Boston to finance energy and water efficiency improvements in 5,000 multi-family housing units and commercial space.
- A $419,000 grant to the Texas Centre of Superconductivity at the University of Houston for a $1m programme to develop advanced technology which uses energy-saving high temperature superconductors in electricity generation, delivery and use.
- Grants ranging from $50,000 to $200,000 to Indian tribes in 10 states to develop solar, wind, biomass and hydroelectric resources and install energy efficiency improvements in tribal community buildings.

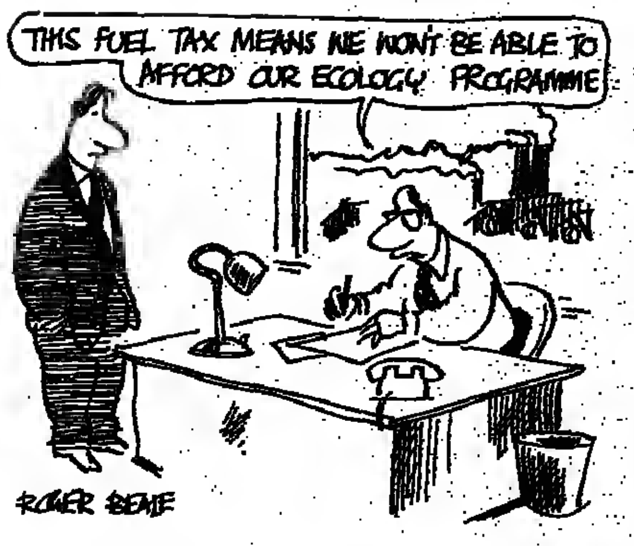
Until the "Republican revolution," schemes like these commanded bipartisan support. The Energy Department's budget for conservation measures has been steadily rising since the days of the Bush Administration. From $366m in fiscal 1988, funding jumped to $791m in fiscal 1995. The programme is expected to take a cut in 1996 to $553m, well below the $824m sought by the Clinton Administration

A 30 member panel of energy specialists from academe, environmental organisations and private corporations has warned against cutting funding below its 1995 level. Private industry, it said, is reluctant to sponsor research projects that last longer than three to five years out of fear that they will not receive enough return on investments.

The committee, appointed by Mrs Hazel O'Leary, the Energy Secretary, said that the department's investments in R&D had helped the US keep pace with international competition in energy technology.

In a report released in June, the panel said Energy's investments in photovoltaics, the technology that generates solar energy, have helped the US industry become the leader in the world market in sales of solar cell modules. The US has 37 per cent of the market, worth about $300m.

Its investments in windows, which feature low emissivity coatings that admit sunlight while blocking heat radiation, have been adapted by private industry. This is now expected to generate an annual $4bn in sales.



That the Republican Congress has cut less than it threatened has been "a triumph of the pragmatists over the ideologues," according to Mr Howard Geller, executive director of the American Council for an Energy-Efficient Economy, a nonprofit organisation.

"In general they've continued research and development for programmes that have strong private sector backing, over the objections of the ideologues that don't want the government to help the private sector," Mr Geller said.

However, he is concerned that the Republican preference for cutting programmes for the poor has shown itself in the area of energy efficiency. Funds to pay for insulating the homes of the poor have been slashed by more than 50 per cent to $160m.

According to the Sustainable Energy Budget Coalition, a group of state energy officials and conservationists, the Weatherisation Assistance Programme has helped 4.4m households save about $100m a year in fuel costs. The projected 1996 cuts will mean that 60,000 homes will not get new insulation and repairs through local community groups.

Mr Geller also worries about the Republican attack on regulation. For several years the US government has used standard-setting in appliances and businesses to push energy efficiency. As a result, most refrigerators use two-thirds less electricity than those built two decades ago. The standards already adopted are expected to yield consumers $130bn in savings over a 30 year period.

"Some companies want to see legislative changes so the Department of Energy can never issue minimum standards," Mr Geller said. That debate has yet to be held, but in the meantime he expects Congress to order a one year moratorium on new rules.

Demand-side solutions are also at risk from the ongoing deregulation of utilities. For years state regulatory commissions have pressured utilities to adopt efficiency programmes. These initiatives have ranged from eliminating discounts for big power users to cash rebates for efficient appliances, low interest loans for insulation and industrial retrofits and rebates for the purchase of solar water heaters.

To enlist utility support, many states compensate utilities for profits that would be lost from reduced sales by allowing them to incorporate the costs in their rate bases. According to the Worldwatch Institute, utility investment in efficiency rose from less than $900m in 1989 to about $2.8bn in 1993. Such programmes save electricity at an average cost of 2.1 cents a kilowatt-hour – half the cost of building and operating even the least expensive new power plant.

About half of utilities have had good programmes, said Mr Geller. The other half have been dragged to energy saving "kicking and screaming".

Under siege from the independent power producers, utilities are downsizing, merging and laying off personnel. Energy savings programmes may be among the first non-essential costs to fall by the wayside.

Mrs O'Leary has sought to spur the growth of the energy efficiency industry by promoting exports. On high profile trips to India and Pakistan she included small innovative energy service companies and renewable technology developers along with utility and independent power producers.

On a trip to Italy she signed an agreement to expand cooperative programmes to encourage joint experiments, the exchange of scientific and technical information and for joint research and development projects. In Costa Rica in June, she witnessed the signing of accords guiding several renewable energy projects in Honduras.

■ **European Union policies:** by Lucy Plaskett

Caught on the rebound

Britain and other EU states have slowed compliance with global emissions targets

Energy efficiency measures are becoming increasingly important if the European Union is to meet its commitments to reduce carbon dioxide emissions.

At the Rio Earth Summit in 1992, the EU pledged to stabilise its CO_2 emissions at 1990 levels by the year 2000. The European Commission planned to meet this by proposing a carbon-energy tax, energy efficiency measures, and promoting renewable energy sources.

Three years on, the carbon-energy tax is still struggling against opposition from national governments. The original idea was for a tax levied 50:50 on the carbon and energy content of fuels, starting at $3 a barrel of oil equivalent, rising to $10 barrel by 2000. But this was eventually dropped late last year, after intense opposition from the UK, which opposed the principle of EC-wide taxation, and poorer EU members, such as Spain and Greece, who feared the tax would hamper their industrial development.

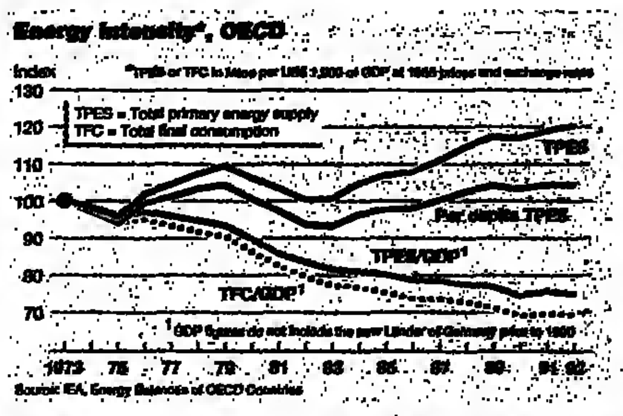
Under EU rules, taxation measures have to be unanimously approved by all national governments. Undaunted, the Commission reissued an amended version of the tax in May this year. As a compromise, this proposal suggested an initial four-year period when the tax could be voluntary. In 2000, however, the Commission would again issue plans for a harmonised EC-wide tax.

But this plan, presently being discussed by ministers, appears equally doomed. The UK, which is relying on the switch from coal to gas in power generation to cut its CO_2 emissions, still refuses to endorse the tax, while the new version does not assuage the fears of the less-industrialised countries. Consequently, the burden of meeting the EU's CO_2 target is increasingly falling on energy efficiency measures and promoting renewable energy.

Energy efficiency has had its own problems over the years. The Commission's key initiative in this area is the five-year SAVE programme, which began in January 1991 with a budget of Ecu35m. SAVE (an acronym for Specific Actions for Vigorous Energy Efficiency) was proposed to help meet the EU's aim of improving the efficiency of final energy consumption by 20 per cent between 1985 and 1995. This target was set after the 1986 fall in oil prices, to stop cheap energy prompting a rise in consumption.

But the programme was roundly criticised by the European Parliament and environmentalists for being watered down from its initial aims. At the heart of the original SAVE programme were 13 directives legislating on all aspects of energy efficiency, including industrial energy audits and the thermal insulation of buildings. But instead of these binding pieces of European legislation there finally emerged from the Commission a catch-all directive calling on national governments to draw up energy-saving plans in these and other areas.

Energy intensity*, OECD



Source: IEA, Energy Balances of OECD Countries

The precise content of such plans was left vague. In between proposal and implementation, SAVE had been hit by subsidiarity – the drive for legislation to be devolved to the lowest possible level. This principle then severely limited the Commission's power to legislate for the EU as a whole.

Much hope is now invested in the few pieces of SAVE legislation that have slipped past the subsidiarity net, including one which some environmentalists believe will be a crucial test of member states' commitment to cutting CO_2 emissions. This measure, when approved, would oblige electricity and gas distributors to draw up reports properly evaluating demand-side as well as supply-side measures when it comes to meeting future consumer needs. For example, it might be cheaper for an electricity distributor to supply its customers with energy efficient lightbulbs rather than buy in more power from a generator.

The aim is to promote a shift in attitude among electricity and gas companies by encouraging them to see the economic potential in reducing demand, rather than making their money by supplying a commodity. It would be up to national governments to ensure that existing energy regulations allowed distributors to make money on such demand-side measures.

The Commission estimates that "aggressive" demand-side management could have dramatic results. Electricity demand could be cut by 10-20 per cent, which would reduce CO_2 emissions by more than 100 tonnes a year; cut primary energy consumption by 4-8 per cent; and prevent the need to build an extra 40,000-80,000MW of new generating capacity.

But the plan is vigorously opposed by the electricity and gas industries, who view it as

Continued on next page

■ **Germany:** by Sara Knight

Challenge from the left

The debate over how to cut Germany's carbon fuel pollution is warming up

Germany is among the most environmentally and energy conscious nations in Europe. . In 1993, industry's energy consumption in western Germany was only 32 per cent of that in 1950. Since reunification in 1990, east Germany, too, has been progressing rapidly.

However, the World Environment Conference in Rio de Janeiro in June 1992 marked a turning point. The comfortable pace of change over the previous 30 years had beeo set largely by investment in better productioo processes ratber than by specific energy cutting measures. After Rio this was no longer considered eoough. A stronger political impulse was given to efforts to raise energy efficiency, cut consumption and redoce pollution.

It was spearbeaded by the Greens/Bündnis 90 party, flanked by a strong environmental movement. (At the Federal elections in October 1994, it its vote to 7.2 per ceot from 5.1 per cent in the 1990 elections, becoming the third largest political party in Germany after tbe CDU/CSU and tbe SPD.)

Campaigning for fiscal reforms to promote energy efficiency, the Greens have suggested an energy/CO_2 tax accompanied by cuts in social insnrance contributions, income and company taxes. This was followed by similar, though less radical, ideas from the Social Democrats (SPD), the main opposition party, and tbe liberal Free Democrats (FDP), junior partner in the coalition government. Previously, the CDU and SPD had been prepared to discuss these ideas only in a geoeral European framework.

However, with the appointment of the forthright Oskar Lafontaine as the SDP's new leader, Cbancellor Helmut Kohl's party is now confronted by a loose alliance of tha SDP and Greens which could leave him far behind oo the environmental front.

Although the government bas adopted around 100 individual measures to protect the climate – ranging from incentives to use energy-saving bulbs to a district heating support programme in east Germany worth DM300m per year – it has not yet convinced anyone that it will reach its official target of cutting Germany's CO_2 emissions in tbe year 2000 to only 75 per cent of their 1990 level.

On November 22, the ruling coalitioo beld an inconclusive meeting convened to discuss this and related problems. The Free Democrats, which have plenty to say but less political clout, favour a climate protection tax and are prepared to adopt it whether or not other European countries follow suit. But its senior coalition partoers, the CDU and CSU, are not yet willing to go beyond proposals to replace a car tax with a tax on exhaust gas emissions from 1997. The Bavarian-based CSU, especially, objects to refereoces to a later introduction of an energy tax despite pressure from some of its grass roots supporters.

The government's aversion to an energy/CO_2 tax is dne to two main factors. Firstly, it fears a popular backlash at any increase in the tax burden. The CDU/CSU is sceptical about proposals to balance the move by reductions in other taxes, as proposed by the FDP, the SPD and the Greens. If the energy tax led to lower energy consumption, the revenue from this tax would promptly fall.

Secondly, a radical energy tax stirs fears about the health of Germany as an attractive location for industry, known popularly as *Standort Deutschland*. The supporters of an energy/CO_2 tax claim they are fully awere of this risk, and have further proposals to mitigate it. They also note thet the tax would hit home owners.

For its part, German industry vehemently resists higher energy taxes, claiming they would undercut finance for the very technology which would bring improved higher energy efficiency. Industrialists insist that a voluntary solution is better and quote tbeir statement on climate protection made last March shortly before this year's Berlin climate change convention. It promised that German industry would reduce CO_2 emissions and/or energy consumption by up to 20 per cent by the year 2005 compared with 1987.

However, six mooths later German industry had still not shown in detail how this promise would be kept. At the end of October, Erhard Jauck, permanent under-secretary of the Federal Environment Ministry, warned that the government would use fiscal or legal methods to ensure that the promise would be kept.

There is also some scepticism ovar promises by car manufacturers to reduce fual consumption. Volkswagen, BMW, Mercedes Benz and Porsche pledged three months ago that by tha year 200 they would be marketing diesel cars with a fuel consumption of just 3 to 4 litres per 100km, which petrol-driven cars do not yet match. Experts point to Mitsubishi's faster progress on petrol drivan cars and wonder whether the German industry is doing all they can.

The Federation of German Industry (BDI) and the German electricity utilities association (VDEW) defend their energy saving record with a wealth of statistical information: for example, industry had reduced its total energy consumption from 95.6m tonnes of coal equivalent in 1973 to just 72mtce in 1993 and over the last 30 years, energy intensity by industry had halved.

The power utilities umbrella body, the VDEW, says that since the mid-1980s gross electricity consumption has been uncoupled from economic growth. Between 1985 and 1990, west German GDP increased by 3.4 per cent but gross electricity use rose a mere 1.8 per cent, and from 1990 to 1994, electricity use rose by a mere 0.4 per cent although GDP rose 1.8 per cent.

The improvements began in the power stations themselves. Between 1960 and 1993, average gross efficiency in electricity generating plant improved from 30.5 per cent to an admittedly still modest 38.8 per cent while transmission losses were almost halved from 8.3 per cent to 4.6 per cent of gross electricity consumption.

Use of district heating increased eight-fold over the same period while specific electricity consumption of household "white goods" and implements fell between 1970 and 1993 by 40 per cent to 60 per cent. Since the mid 1980s the average consumption of electricity per household has stagnated despite the introduction of a multitude of new electric gadgets. Or viewed another way, the electricity motto seems to be working: "Ever less electricity consumption per application...but aver more applications using electricity."

■ **Britain's Energy Savings Trust:** by Leyla Boulton

Portrait of a catalyst

The energy saving pump-priming body has to make do with a modest £25m a year

Recent evidence that Britain can after all meet the developed world's year 2000 targets for stabilising carbon emissions in the fight against climate change has softened the pressure for tough action on energy efficiency.

No clearer illustration of this can be found than in the mixed fortunes of the Energy Savings Trust, a product of the Tories' last election manifesto.

The organisation was originally set up by the government to choose projects in which to sink funds to be raised by privatised gas and electricity utilities for energy efficiency purposes.

It aimed that by 1998 the trust should be spending £400m a year on such projects. However, a few years after its launch, the Energy Savings Trust has no chance of meeting a target which it says has "simply disappeared". It has just recently seen its annual budget increase to a meagre £25m.

That this much has become available is only thanks to the good will of Offer, the electricity industry regulator, which has agreed to impose an energy efficiency levy on the companies it supervises. The EST, which is not nearly as sbort of ideas as of money, has found 143 projects to finance in just over a year and a half of cooperation with Offer. "For every pound raised from the companies, consumers benefit to the tune of £5.50," says Dr Eoin Lees, the EST's chief executive.

Examples of anch projects involve giving away free lightbulbs to old age pensioners who agree to receive free advice on how to make more efficient use of energy supplies. This includes such basic things as helping them operate thermostats and not over-filling electric kettles.

On the heavyweight end of the spectrum, EST has also helped fund combined heat and power housing projects which basically enable users to generate heat and electricity simultaneously.

Under one such project it covered just one fifth of the costs of a £130,000 CHP system for a London housing association which raised the rest of the money itself.

Tha government in turn recently announced plans to give EST another £25m from next April. However, EST has met a stone wall of resistance from Ms Clare Spottiswoode, the director general of Ofgas, the gas industry regulator, who unlike her predecessor has balked at cooperation with EST. The previous director of Ofgas had pledged to raise £125m a year for the EST.

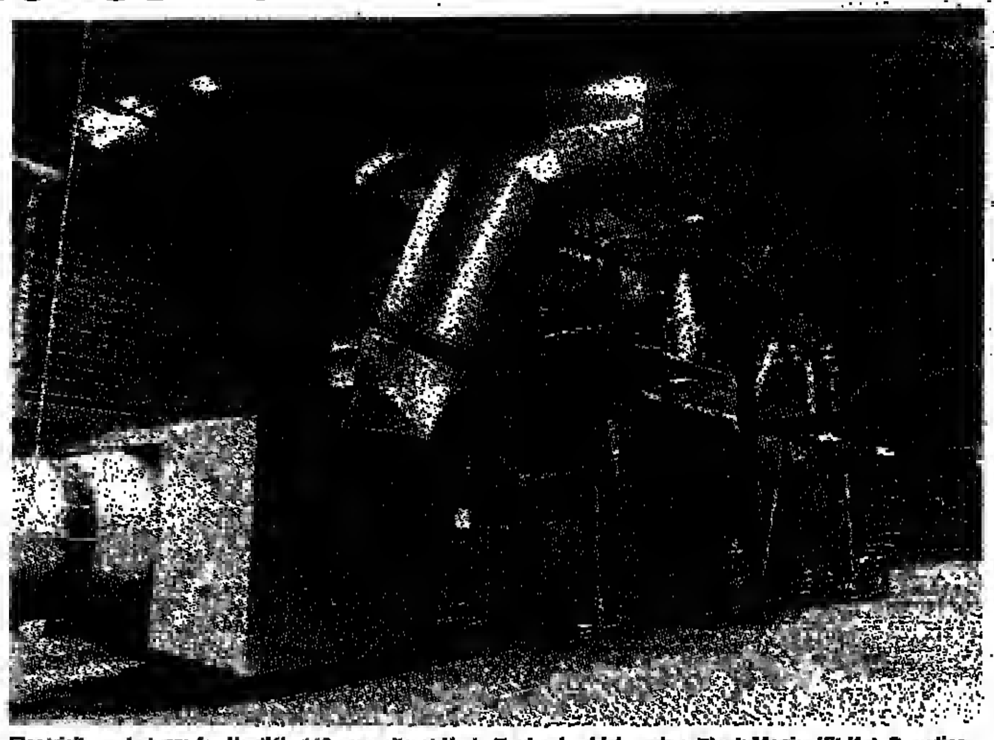
One casualty of poor relations with Ms Spottiswoode is a £1m pilot project for which EST would like to enlist the support of British Gas. The idea is to lend householders money to insulate their lofts and enable them to repay the loan with consequent savings on their gas bills. Says one EST official: "British Gas does not want to upset the regulator. The regulator shows no enthusiasm for energy efficiency so why should British Gas?"

While reporting that life has become somewhat easier over the past year, Dr Lees warns that while the "pressure is off" for the year 2000, problems will return after that date, when developed nations are expected to agree new targets for a net reduction of carbon emissions. "Looking to the long-term it is clear that we are going to have to do something and that energy efficiency will be an important part of the portfolio of measures we will have to adopt."

■ **UK legislation:** by Leyla Boulton

Squeeze on the town halls

A law passed in June was a landmark in British attitudes to energy conservation



Electricity and steam for Nestlé's 140-acre site at York, England, which makes Black Magic, Kit Kat, Smarties and other popular brands, are generated by this £8m mini power station designed, built and run by BP Energy

A cruise-ship along the Thames this summer was the venue for a party to celebrate the latest UK addition to a mixed bag of energy efficiency policies.

The Energy Conservation Bill, proposed by a back-bench MP, was initially opposed by the government until it decided belatedly to jump on to this particular environmental bandwagon. The law was passed by parliament in June after the government dropped objections to a plan it initially described as threataning an expensive intrusion from would-be "thermal police".

Mr Andrew Warren, head of the UK's industry-sponsored Association for the Conservation of Energy which played a key role in mobilising support for the bill, said it "turns every local council into an energy conservation agency". Hosting the river-boat party, he was particularly pleased at the way "middle England had been mobilised through grass-roots organisations" into writing letters to their MPS to support the legislation.

The law requires 435 local authorities around the country to compile as a first step an inventory of the different types of public housing and heating systems on their territory.

Following on from this, they will have to come up with suggestions on how to make 30 per cent savings in energy consumption. Local authorities are supposed to produce the surveys, which are expected to cost around £50,000 apiece, by 1997. Thereafter it is up to them to decide what action to take to follow up on their suggestions. It is not yet clear how mnch of an incentive they will have to do anything.

But after being forced to back down on plans to increase VAT on fuel for homes, the governmeot has little choice but to try and stress voluntary incentives for householders to increase energy efficiency.

One compelling reason for such measures is an estimate that one third of UK householders live in homes they cannot afford to heat. "Heating grants are the wrong way to tackle energy efficiency," adds Mr Warren. "All they do is subsidise ntilities."

A wider reason is Britain's undertaking, with other developed nations attending the Rio "earth aummit" three years ago, to stabilise carbon emissions at 1990 levels by the year 2000. This target is the first step in international efforts to combat global warming, a phenomenon blamed on carbon emissions from tha burning of fossil fuels. According to Mr Warren, a quarter of man-made carbon emissions comes from homes, a quarter from other buildings, a quarter from industry, and a quarter from cars.

"The saving of energy is a major part of the post-Rio strategy. It's a double win situation. You are saving money as well as helping the environment," he says.

CASE STUDY HOW COUNTRIES TEAM UP TO CUT CARBON EMISSIONS

Exercise in international mutual aid

The World Bank bas launched collaborative projects in Mexico and Poland, both of which would normally be at the receiving end of a plan to combat global warming.

The idea of joint implementation, launched at the Berlin conference on climate change last spring, is for companies or governments in the developed world to implement projects to reduce greenhouse gas emissions in another country and to get credit for those reductions against their national obligations. The incentive would be to achieve reductions at lower cost than would be possible at home.

But despite pressure from the US government and businesses, the crucial principle of getting credits for reductions was left out of the pilot scheme agreed in Berlin. The whole process is to be reviewed by the end of the decade, in order to "take a conclusive decision on the pilot phase and the progression beyond that..."

The World Bank says the aim is "to clarify some project level considerations that may have implications for the choices between alternative policies governing joint implementation".

Poland and Mexico, both heavily dependent on fossil fuels for their energy consumption, rank among the top 15 greenhouse gas emitters in the world.

The Mexican project, at a cost of \$23.5m, will place 1.7m compact fluorescent lamps at subsidised prices in homes in the cities of Guadalajara and Monterrey over two years.

The aim of the project is to demonstrate the energy efficiency of these lamps and develop the Mexican utility's ability to manage energy demand, not to mention a lowering of its emissions.

The World Bank says the project is structured to ensure that the utility can recoup its original investment in the project and extend such demand side management programmes to other regions and other technologies.

The gain for a foreign party such as Norway, which contributed \$3m to the project, is a cheaper way of reducing greenhouse gas emissions than squeezing already low domestic emissions by heavy taxes on fossil fuels.

The \$44.8m Poland Coal-to-Gas Conversion Project, more than balf of which is being financed by the Global Environment Facility and \$1m from Norway, would convert to gas-firing n number of coal-fired boiler houses. Between them, the Mexican and Polish projects involve marginal costs of reducing carbon dioxide emission gases of between \$35 and \$100 per tonne of CO_2 – which compares with costs of at least \$112 per tonne for an "investor" such as Norway.

Leyla Boulton

Europeans drag their feet

Continued from page 3

unwanted interference in their markets, and say it will put both gas and electricity at a competitive disadvantage compared with other fuels.

Andrew Warren, director of the European Association for the Conservation of Energy (EuroAce), argues that, on the contrary, the measure is the last chance to change attitudes via the marketplace, by allowing utilities to make money out of selling energy services, rather than the fuel itself. "If we can't deliver on this in Europe, the only other option left if governments are serious abont dealing with climate change is command and control measures", he says.

Another SAVE directive in the offing would compel mannfactnrers to ensure that domestic refrigerators and freezers meet minimum energy efficiency standards. Initially, tbeir efficiency should be npgraded by 10 per cent, with standards reviewed three years later. This could save 40 terawatt hours of electricity consumption by 2020. These standards could also be tightened by the European Parliament, which is insisting on doubling the energy efficiency targets, and halving the timetable to achieve them.

A third planned directive to promote combined heat and power is presently stalled pending the ontcome of the Commission's moves to liberalise Europe's electricity markets. Despite SAVE's patchy record, promoting energy efficiency is recognised as one of the few instruments available at EU level to tackle the CO_2 problem by 2000. In June this year, annonncing a new, enlarged follow-up to SAVE, the Commission said: "SAVE 2 will be a major (perhaps the major) strategic initiative for the attainment of the Union's CO_2 objective."

With SAVE 2, due to start in January 1996 and run until December 2000, the Commission has taken a different tack. As the climate is still not right to draw up new legislation, SAVE's successor has been given a larger budget – Ecu150m – to concentrate on promoting energy efficiency at the grass roots level. "Legislation is an easier way to change people's behaviour, bnt if you can't do that then you must go down to the level of the consumer," said a Commission official resignedly.

The money will be used on pilot actions to promote energy management in regions and cities, monitoring energy efficiency progress at EU and national level and exchanging information. Over the life of the programme, the aim is to reduce final energy use by 5 per cent, saving 180m-200m tonnes of CO_2 emissions.

Similar results are expected from promoting renewables. The EU's Altener programme aims to increase the contribntion of renewable sources of energy, aneh as wind and solar, from 4 per cent of overall energy damand to 8 per cent by 2005. This would rednce CO_2 emissions by a total of 180m tonnes. Under Altener, which runs from 1993 to 1997, Ecu40m is available to promota renewables via studies, pilot projects and information networks. The programme will be reviewed early next year, and is likely to be extended.

Lucy Plaskett is editor of FT newsletter EC Energy Monthly

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■ **Housing in Britain:** by David Lawson

Coldest homes in the west

Better standards have been imposed from above. Now the pressure comes from the public

The Scandinavian banker and American broker were scoring points off each other at a City of London cocktail party about who knew more about the UK. Esoteric details such as the sharpest futures trader, the eccentricities of a fund's investment director and the best place to buy fish were tossed back and forth.

But a truce was declared over the English word every visitor learns first. Not hello or goodbye. Not please or thanks.

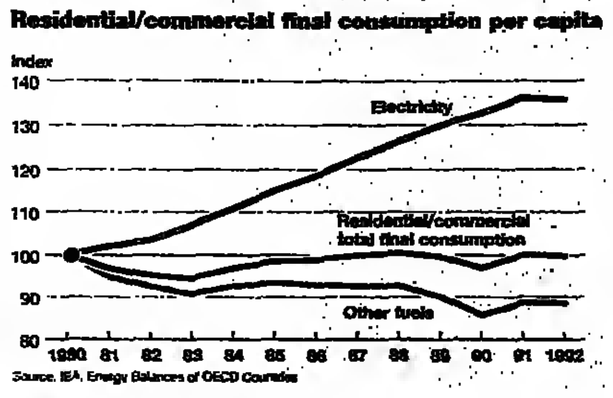
"Cold," they said in unison, breaking into laughter. "You have the warmest beer and the coldest homes in the Western world," said the American, only half-joking.

Desperate efforts have been made to solve at least half that equation. Tha government regularly uprates energy efficiency standards builders must meet for housing. The latest set of building regulations, which ironically came into force during the hottest summer in decades, aims to add another 20 per cent to efficiency through tougher standards for insulation, glazing and heating appliances.

It all seems typically British to outsiders, however. Homes in mainland Europe have been built to these criteria for decades, and American timber-frame buildings traditionally leave UK construction methods cold. Techniques such as super-insulaled floors and tight-fitting windows heve been tried – and quietly dropped – by big builders more concerned with keeping costs down to attract buyers.

One school of thought attributes such low standards in 90 per cent of UK homes to British stoicism. Another points to the cheap fuels enjoyed by a small island rich in coal and natural gas. Certeinly the recent drive to more efficient homes has been driven more from above than by consumers. Housing makes up 30 per cenl of the national fuel bill and buildings produce more global-warming CO_2 and ozone-depleting materials than vehicle exhausts. It was inevitable after the world summit in Rio that the governments would have to lead the way towards limiting this damage.

Residential/commercial final consumption per capita



Source: IEA, Energy Balances of OECD Countries

But efforts hava also been made to stimulata consumer interest. Another argument for buyers' epathy is that they have not been able easily to measure the relative merits of the property they are offered. Every new home now carries a SAP (Standard Assessment Procedure) rating developed by the Building Research Establishment, which demonstrates energy efficiency and general impact on the environment.

Extra pressure to cut costs has also come from the imposition of VAT on fuel, driven through by the government despite the risk of mutiny by many of its own supporters.

But relatively little is happening to build on such measures. "Buyers simply won't pay for the extra savings achieved by going above the government minimum," says one sceptical volume builder who burned his fingers when experimenting with extra-efficient homes. Buyers swarmed to an inferior, but cheaper, neighbouring development and he had to cut prices to compete, leaving the builder to meet the extra costs.

These companies are already building 21st century homes, as the bricks and mortar will ha standing for at least the next 100 years. They are undoubtedly more efficient than even a decade ago because of rising government standards, but does this reluctance among buyers mean homes will always fall below their potential?

Evidence is emerging that occupiers are beginning to demand higher standards, however. David Holliday, chief executive of Admiral Homes, builds 700 homes a year, all to much higher standards than the minimum, and says he has little problem selling even in the current dull market.

"Wa attract people who have made a point of looking at running costs," he says. They are willing to pay between 1,000 and 4,000 for various levels of extra efficiency on homes averaging 110,000. Two large 2,600 sq ft homes in a development near Chippenham, Wiltshire, which claim to be the first in the country to hit a perfect 100 SAP score should cost just over 860 a year for alectricity and oil – half the outlay on a home built between 1930 and 1950, says Admiral.

The rest of the development, aimed at scores of 80-plus, will be the focus of a government campaign launched on the site next week by Construction Minister Robert Jones to encourage other builders to raise their standards.

Growing public awareness of running costs will help push that campaign from the bottom upwards, says Mr Holliday. He says that the first two homes in the scheme were sold within a week. Achieving the 100 rating added £3,300 to Admiral's asking price, but Mr Holliday points out that this was less than 2 per cent of the total and should be recovered through energy saving in under six years.

Bnyers in general often remain blind to such costings. Most base their calculations on monthly mortgage costs, which are geared up with every £1,000 on the initial price, according to lenders. "The new SAP ratings could make e difference, however," said one building society adviser.

Demographic change may also produce a swing to efficiency. The population is ageing, and couples such as Tony and Peggy Pugh are moving into retirement homes where warmth is vital. They part-exchanged a bungalow in Huddersfield for a purpose-bnilt flet in Hampshire and found fuel bills £250 a year lower.

A milder climate in a smaller home may be one reason, but McCarthy and Stone, the builder, also thanks energy-efficient designs. The more buyers there are in this age bracket, the greater the impact on energy consumption.

Overall design principles are nnlikely to change mnch further as we move into the 21st century because of the limited scope left for development of materials and structures, says David Holliday. Perhaps steel frames, which are suited for installing insulation as part of the structure, may come in, but there will be more scope for advances in appliances, which already make up half the energy used in our homes.

"Zoning could be a major benefit, setting heating levels differently for different rooms. That would introduce insulation into interior walls," he says. This mey have little impact on shivering visitors to the UK, as the vast majority of homes were built in more masochistic times. They can hope, however, that increasing awareness of running costs will spill over to the second-hand market, forcing a general uplift to living standards. Perhaps the government can then attend to the warm beer.

■ **Combined heat and power:** by David Green

The tide has begun to turn

Several diverse factors may have started to improve the prospects for CHP in Britain

The proportion of the UK's electricity generated by combined heat and power – in which waste power station steam is used for heating purposes – has risen steadily during the 1990s to today'e figure of something over 5 per cent.

According to the latest statistics from the DTI a total of 3,200MW of CHP plant was being used at 1,200 sites, with some 300-400MW of new plant under construction. So, while the UK figure is close to the European Union average of 7 per cent, there is a long way to go to challenge the leaders – the Netherlands and Denmark, both of which generate around 30 per cent of their total electricity needs from CHP.

But the differences between these two countries reveals both where the UK lags behind and where the long-term potential for growth lies. While three quarters of Dutch CHP systems feed industrial sites, nearly all the Danish CHP plants are operated by municipal utilities to heat cities via large-scale community heating systems.

In the UK around 80 per cent of CHP capacity is used at just 60-odd industrial sites with schemes larger than 10MW, and the community heating sector is relatively undeveloped.

CHP has been very topical in recent years, but the technology is almost a century old and the use of mainly coal-fired CHP by some of Britain's energy-intensive industries is well established. However, this use of CHP fell with the decline of heavy industry in recent decades, hitting a low point of around 2,000MW at the end of the 1980s.

What revived the technology was a mixture of new levels of environmental awareness – CHP's inherently high fuel efficiency means lower emissions as well as lower cost energy – and the emergence of new methods of financing plant which followed privatisation of much of the electricity industry in 1989.

> The end of the European ban on gas-fired power stations gave CHP a big boost in the UK

The lifting of the European ban on using gas in power stations meant that high efficiency turbine-based CHP plant began lo replace the existing less efficient coal-fired capacity.

The Government set a target, as part of its 1990 White Paper on the environment, to establish 4,000MW of CHP by the year 2000. In 1993, the UK raised the target lo 5,000MW as part of the commitments Il made at the Rio de Janeiro Earth Summit.

To avoid losing business to do-it-yourself CHP operators the large generators reversed the old CEGB position of opposing CHP and joined other energy specialist companies in supplying the technology to industry. Many of the regional electricity companies moved into supplying small-scale, packaged CHP plant for buildings.

At the same time, CHP suppliers recognised that high capital costs for CHP plant were likely to form a significant barrier to its take-up and established a range of alternative financing arrangements to help potential customers receive the benefits of CHP. These arrangements have since broadened into what is now part of the newly emerging energy services sector – the efficient provision by a single party of a fully-integrated package of useful energy services, rather than just raw fuel or a etand-alone energy service.

A key part of the energy services approach is that a third party energy specialist takes on a number of the funding, design, installation, ownership, operation and maintenance aspects of energy plant at or close to the user'e premises.

Several other berriers remained, though, and the CHP Association has fought a series of battles to see the 1989 legislation amended to ensure that local CHP operators are able to compete with centrally-generated power.

This culminated in moves by the then President of the Board of Trade, Mr Michael Heseltine, to reduce the regulatory burden by exempting many more CHP operators from holding an electricity supply licence and thus charging the nuclear levy on exported power.

However, even allied with these changes, the development of CHP is still highly dependent on the wider economic conditions such as the price of fuels, the relative market prices of heat and power, and interest rates, not all of which have been helpful in recent years.


Amsterdam's business centre: combined heat and power plants provide 30 per cent of Dutch electricity

While CHP has made great strides in the industrial and buildings sectors, the UK has made little progress towards the sort of city-wide community heating systems which supply most homes in Paris, for instance, with heat. However, the situation may be changing.

Major barriers in the UK have been the poor performance of a wave of district heating systems installed as part of the council housing boom of the 1960s and 1970s, withont adequate long term provision for their maintenance or renewal, coupled with the constant desire of the Government to restrict local authority capital investment.

Now, with local authorities in the vanguard of thinking on sustainable development, the 1998 deregulation of domestic energy supplies looming and with moves to bring private sector capital into public/private sector energy ventures, levels of interest in community heating are higher than ever. Local authorities are looking at new ways to move, with private sector partners, into energy supply and thet interest is now being translated into practical action.

Established large-scale community heating systems in Nottingham, Sheffield and Southampton are being expanded, and several city councils, most notably Glasgow, Manchester and Birmingham, are planning to establish new large-scale schemes. Recent changes to the Non-Fossil Fuel regime in favour of CHP and community heating will clearly aid this trend.

Eventually, for CHP to reach its full potential in the UK, the legislative and regulatory environment would have to recognise and reward both CHP's particular environmental benefits, and the benefits of all forms of locally-sited generation plant in reducing electricity distribution costs.

However, development of new city-wide community heating schemes, together with the continuing expansion of CHP for industry, would begin to move CHP's status in the UK towards that which it enjoysin some other countries.

David Green is a DTI adviser and director of the Combined Heat and Power Association

ANALYSIS by ANDREW WARREN

Managers' role becomes blurred

Hundreds of British energy managers gather in Birmingham, England, today to hear abont changes in the UK energy efficiency scene.

They are participants at the UK's national energy management conference and exhibition, an annual event launched in the energy crises of the 1970s.

One of the most notable developments, however, has been the change in emphasis of the participants' own function from efficient plant management to energy purchasing.

Most of the presentations at the main conference concentrate on how best to purchase energy rather than how to use it most effectively.

Dr Glenn Brookes, director of the Energy Systems Trade Association who has organised the conference, says: "It's an energy manager's job to reduce costs for his employers by cutting the energy bill. At present, though, many find they can save more by shopping around for cheaper fuel than by investing in conventional energy schemes."

Established energy management firms have themselves recognised this change in function and now concentrate more on advising clients on obtaining the best deals. "Our customers are much more aware of the opportunities available in purchasing, and therefore demand from us far more emphasis on purchasing than on engineering efficiency," says Brian Chamberlain, managing director of TM Consultants.

The managers whose role has not changed are those employed by the government as regional energy efficiency officers, whose role is to give practical advice on energy saving, including help provided by the government.

This includes help towards consultancy fees under the government's new Small Company Environmental and Energy Management Assistance Scheme.

Under their licences, both British Gas and each electricity distribntor is duty bound to provide basic energy saving advice; for those worried about the objectivity of advice from such sources, there are 30 advice centres funded by the Energy Saving Trust.

Meanwhile, energy managers have already shown their value, especially those employed in energy intensive industries. Dr Brookes says: "It would be a shame if a once-off opportunity to do price bargaining killed off such hard-won expertise."

Such worries were one of the reasons for setting up an Energy Efficiency Accreditation Scheme two years. It provided the first opportunity for an organisation's achievements in energy efficiency to be independently assessed under nationally-applied rules. It measures commitment and performance against three criteria:

- management policy and reporting structures;
- investment (both actual and planned) in efficiency measures;
- demonstrated improvement in energy efficiency.

To date 37 companies have passed these three hurdles to become accredited as generally energy-efficient organisations.

The energy managers at these companies can claim to have thereby demonstrated their skills as engineers and not just at beating down the price of fuel in what is currently, though not necessarily indefinitely, a bnyers' market.

Andrew Warren is director of the European Association for the Conservation of Energy

Motor car design: by John Griffiths

Fancier cars wipe out fuel gains

Loading cars with ever more gadgetry is neutralising the great advances in engine efficiency

A few weeks ago Cosworth Engineering, the Vickars-owned engineering consultancy and high-performance engine maker, announced an agreement with Dr Dan Merritt and Coventry University to develop a radical form of internal combustion engine.

The brainchild of Dr Merritt, it uses an ingenious valve system and piston design to combine reasonable power output with exceptional fuel economy – around 70 miles per gallon in a small family car in urban use, projects Dr Merritt, who has been working on the concept for a decade.

That is the theory.

In practice, only a single cylinder research engine has been built. What differentiates the Merritt engine, and a handful of other engine concepts, from the dozeus touted endlessly and usually fruitlessly around manufacturers by their enthusiastic inventors is that a large, sophisticated and invariably sceptical engineering house is sufficiently impressed to commit its own development funding.

Therefore if all technical hurdles are overcome, in perhaps five or 10 years one of the new "alternative" engines could offer a quantum step forward in terms of energy efficiency. The same-sized car today struggles to achieve 40 miles per gallon in similar urban usage.

Pressure on car makers to achieve big steps forward in energy efficiency are intensifying. Last year, for example, a UK Royal Commission report on environmental pollution called for the fuel efficiency of the typical family car to be increased by 40 per cent over the next 11 years.

Unfortunately, other new technology appearing over the horizon, in combination with changing consumer preferences and the ever-increasing impact of safety and anti-pollution legislation, makes it likely that the efficiency gains of next-generation engines will be reflected only pertly in improved economy.

HOW THREE GERMAN CARS PUT ON WEIGHT (kgm)

Model	1976	1992	% increase
Porsche 911 Turbo	1,143	1,458	+28
BMW 320	1,071	1,343	+25
VW Golf	843	1,171	+39

Source: manufacturers

GERMAN TARGETS FOR MATERIAL RECYCLING (%)

Material	1996	2000
Steel	100	100
Non-ferrous metals	85	90
Tyres	40	50
Glass	30	50
Plastics	20	50
Other elastomers	20	30

Source: Bowfell Associates

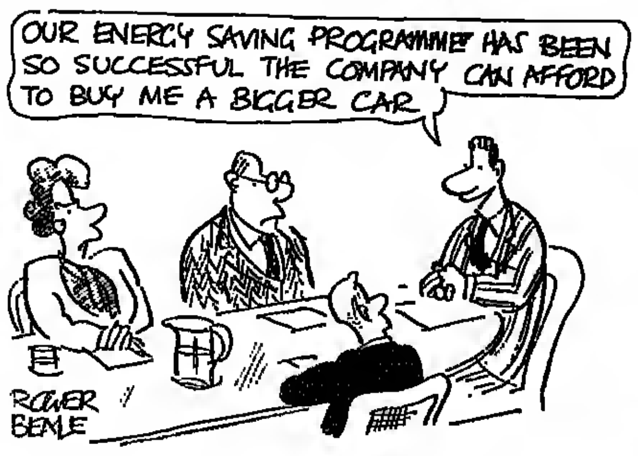
Without big changes in materials and manufacturing techniques to achieve substantial weight-savings in car bodies and mechanical components, the cars which the new generations of engines may be propelling will be even more undesirably heavy than they are now.

An overall weight reduction of 10 per cent in a vehicle typically leads to a 6-7 per cent reduction in overall fuel consumption. Yet for the last 15 years, despite all the heightened awareness of hydrocarbon fuels as a scarce and declining resource in the wake of two oil crises, cars – size for size – have continued to become considerably heavier.

Analysts point to Volkswagen's ubiquitous Golf as a good example: the first, 1976, version weighed 843kgm. The 1995 version is around 330kgm heavier. Were it nnt for continuing improvements in the efficiency of Volkswagen's engines, a current Golf would be travelling some 25 per cent fewer miles per gallon than its first forebear.

Much of the extra weight of current cars is attributable to consumer preference: electric windnws, central locking, sunroofs, eudio systems, air-conditioning and other desirable but inessential equipment. Little less significant in terms of additional weight penalty are safety and environmental systems such as catalytic converters (themselves growing more complex every year); anti-lock brakes, traction control and airbags.

Car bodies elready made heavier on safety grounds by anti-intrusion bars in doora will soon have to becoma sturdier still. This will be to comply with more demanding crash barrier tests which the Fédération Internationale de l'Automobile has persuaded the EU to adopt from 1997.



And thanks largely to Europe'a recently-concluded Promethens collaborative motor industry research programme, in-car technology is like to proliferate at an even faster rate from around the end of tha decade.

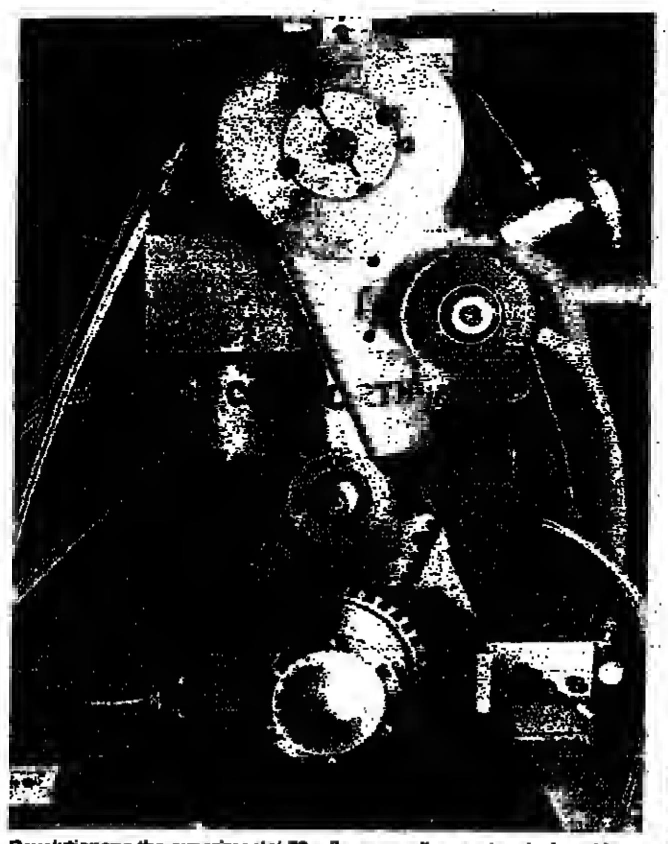
Uoder the Prometheus programme, a wide variety of systems has been developed which should make driving much safer and efficient, and thus can legitimately he regarded as essential. They include enhanced night vision, through "heed-up" displaya similar to those used hy nigh fighter pilots; "active" steering capable, for example, of eutomatically cnmpensating for sudden side-winds; collision-avoidance radar; automatic lane positioning and full satellite-based navigation systems. There is little gimmickry involved: the declared intention of the Prometheus programme is to halve the 50,000 fetalities on Europe's roads each year.

But all this technology will obviously impose yet another hefty weight penalty on cars. Withont weight losses elsewhere, its fnel consumption could well become increasingly unacceptable both to consumers facing inexorable fuel price rises and to the strategic planners of 21st century transport needs.

This year, the steel and aluminium industries have become involved in an intensifying race to provide solutions in the most promising area of weight-saving: the car body itself.

The aluminium industry, whose material up to now has featured mainly in castings and other mechanical components of volume-produced cars, makes no secret of its intention to muscle in oo the hugely valuable car body market – the world makes 40m new car bodies a year.

Alcoa of the US already has a well-developed partnership with Volkswageo while Alcan of Canada is closely linked with Ford.



Revolutionary: the experimental 70 miles per gallon engine designed by Dr Dan Merritt and under development by Cosworth Engineering

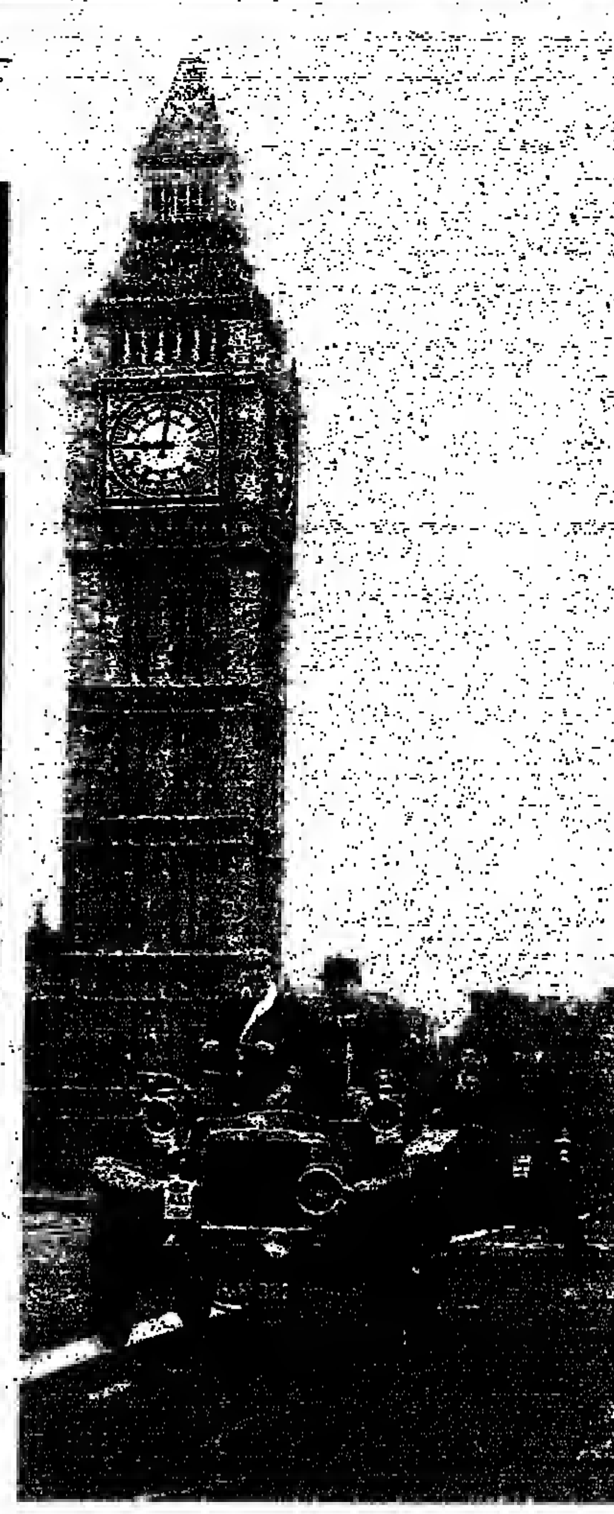
Audi, Volkswegen's executive car division, has already launched its A8 luxury car with an all-aluminium body 40 per cent lighter than the steel equivalent and VW says it can see no reason why even high-volume family cars cannot be made of aluminium early next century.

But the steel industry is fighting back. Two months ago a consortium of 32 steel companies from around the world announced they they would move to phase two of a collaborative project to build demonstration steel car bodies up to 35 per cent lighter than current models.

The consortium, which includes British Steel, US Steel, Nippon Steel of Japan and other European, nortb American and Asian groups, is investing $20m in tbe body-building stage of its "Ulsab" (Ultralight Steel Auto Body) project.

Phase one comprised an initial design end engineering exercise carried out hy Porsche Engineering Services, e US subsidiary of the German luxury sports car manufacturer, and which is also heading the next phase of the project. The consortium claims that even the initial hody concept – using thinner, high-strength steels and optimised design, but still using conventional assembly processes – could lower production costs hy 14 per cent, while the body itself is 35 per cent lighter and more than twice as rigid as current bodies.

By the time mechanical components, trim and items such as wheels and tyres are added, tbe overall weight saving is much less. Nevertheless, there is growing confidence in the industry that between engine efficieocy gains and body weight-saving, it sbould be possible to make overall progress in fuel economy rather merely drive fast to stand still.



ECONOMICAL AT 91: Genevieve, star of the 1950s film of that name, sets off in the Benson and Hedges RAC veteran car run from London to Brighton, driven by Financial Times motoring writer John Griffiths. The journey from London's Hyde Park to Brighton Promenade lacked heater and other comforts of a modern car.

But the famous two-seater Darracq, with its 12 horsepower engine and top speed of 45 miles per hour, used no more fuel for the 60-mile journey than a modern small saloon car.

It was built in 1904.

هكذا من الاصل

DEFENCE INDUSTRIES

Air of optimism as cuts begin to slow

The two largest export markets for western manufacturers – the Middle East and Pacific Rim – are showing signs of strength, says Bernard Gray

At the Dubai air show earlier this month there was a little more spring in the step of aerospace executives. Not only was the civil sida of the business seeing the first fruits of the long-awaited upturn – with Singapore's $12.7bn order for 77 Boeing 777s the star of the show – but defence salesmen were looking a little less gloomy for the first time since the fall of the Berlin Wall.

The reason for the optimism was not any great increase in defence orders, but a sense that the industry has found a floor below which it is unlikely to fall.

After a reduction in defence spending which has averaged almost 30 per cent in Nato members since the end of the cold war, most countries are now planning to maintain at least the current level of equipment purchases.

Several straws in the wind recently suggest that governments do not intend to slash defence spending much further. In the US this summer, many in the Republican-dominated Congress were arguing strongly for an $8bn increase in the proposed $243bn Department of Defence budget. Senator John Glenn of Ohio points out that defence spending since the second world war has been strongly cyclical. He judges that the US is now at the bottom of a regular 10-year downtrend, with the downward movement evident since 1985 likely to end this year. A symbol of better times is a recent $18bn Pentagon order for a further 80 McDonnell Douglas C-17 "Globemaster III" transport aircraft.

In Europe the picture is more mixed. The UK has continued to modernise its equipment, with orders worth £800m on Lockheed Martin C-130J "Hercules" transport aircraft, £2.5bn on McDonnell Douglas-Westland "Apache" attack helicopters, £1.2bn on Westland EH-101 and Boeing Chinook transport helicopters, £1.1bn on Vickers Challenger II tanks and £250m on Sandown Minehunters from Vosper Thornycroft all placed in the past 18 months.

More is to come. Despite the squeeze on overall defence spending, the UK is currently looking for £2.5bn worth of nuclear hunter-killer submarines, two marine assault ships for £500m, £1.5bn of maritime patrol aircraft, and £2.5bn worth of missiles in three separate programmes. The biggest order of them all: the production of about 250 Eurofighters for the UK – worth about £10bn to British industry – is also steadily edging closer.

Of the main European markets, only France is getting more gloomy. Here the bold strategic plans produced in 1993, which would have held defence spending constant until the end of the decade against the trend of other Nato members, are likely to be shattered.

Programmes such as the Dassault Rafale fighter and the Eurocopter Tigre attack helicopter are likely to be delayed to cut French government spending. With much of the state-owned arms industry losing money heavily, substantial job cuts are likely and the defence industry waits in trepidation for detailed government plans.

The two largest export markets for western manufacturers – the Middle East and Pacific Rim – are showing signs of strength. Tensions in the Middle East Gulf remain, with the Gulf Co-operation Council states fearful of a spread of fundamentalism from Iran and with Iraq still a maverick state.

According to the International Institute for Strategic Studies, the budget problems of Saudi Arabia, caused by the low oil price and spending on the Gulf war earlier in the decade, have eased considerably. The IISS estimates that the country will spend $13.2bn on defence in 1995 and sees no reason why its substantial arms budget should not be sustained in the medium term. Production of 72 McDonnell Douglas F-15S "Eagle" fighters and 48 British Aerospace "Tornado" strike aircraft for the Saudis is well under way.

At the same time as the dip in global equipment purchases is beginning to bottom out, defence companies are completing one phase of cost cutting which has seen jobs slashed. In the period 1989-1994, employment in the US defence industry fell from 1.3m to 800,000, according to Bankers Trust, the US bank. Employment in the UK aerospace industry fell from about 175,000 to about 110,000 in the same period, according to the MSF technical union. In some companies such as Rolls-Royce aero engines and BAe's civil aircraft operations, one in two employees has gone.

The cost reductions have given companies a temporary stability which will allow time for the industry as a whole to adjust to the changes in the world market. But few think that headcount reductions alone will be enough to turn the industry around. Wholesale rationalisation of the defence business is needed if long term profitability is to be maintained.

Not only do companies have to shrink to fit a smaller market, they also have to cope with a slower rate of technological change since the spur of superpower rivalry faded away.

To respond to the pressure, US manufacturers have followed the personnel cost reductions with a wave of mergers, helping to cut central overheads further and eliminate competitors which lack the size to survive.

The wave was capped by the $10bn merger of Lockheed and Martin Marietta in March to create a defence giant with sales of $22.5bn a year. And to no-one's great surprise, Boeing and McDonnell Douglas are now said to be in talks which would lead to a behemoth with civil aircraft sales of $21bn a year and defence business turnover of $12bn.

That would leave the US with two aircraft makers, and similar consolidation into two or three missile companies and electronics suppliers is likely as the rationalisation moves down the chain of suppliers.

Europe, by contrast, has been much slower to move and some attempts at rationalisation have proved abortive. In part, structural barriers to rationalisation in Europe are to blame. Much of the French defence industry is state-owned and loss-making, which makes it difficult to merge with foreign companies. In both France and Germany, social policy has long resisted the deep job cuts which would put the industries on an economic footing and make them attractive partners.

Different models of the future – with the UK, for example, arguing for a market approach of merged companies while continental European countries prefer consensual joint ventures with considerable national autonomy – have also interfered. Lurking in the background of each nation's thinking is the deep-seated desire for autarky in the production of defence equipment.

Some progress has been made, but it is painfully slow. BAe announced in June that it was taking over export marketing of Sweden's Saab Gripen light fighter and would manufacture 50 per cent of any export aircraft sold. BAe has also been in talks with Matra Defense about merging the French and UK missile businesses for almost three years. Aérospatiale of France and Daimler-Benz Aerospaca of Germany have pooled their helicopter industries and have been in similarly protracted talks about their missile and space operations.

It is, however, pretty small beer, and there is so far little sign of the mergers between the defence giants such as British Aerospace, Daimler-Benz Aerospace and Aérospatiale which would give the European industry the clout and cost reductions it needs to survive against the US giants.

So far, European manufacturers have relied on their greater nimbleness and experience with producing small production runs to keep up with the US. UK manufacturers, for example, have been much faster to introduce Japanese manufacturing techniques to aerospace than their US counterparts. Yet the big deals have proved elusive.

That may be slowly shifting, but in a world which is no longer split by ideology, the buyers of defence equipment have much more flexibility about whom they buy weapons from and less need to ensure that they operate the same systems as close allies. Smaller markets have also made manufacturers compete even more aggressively for exports. As a result, politics has declined as an influence on defence purchases while economics has become more important.

That price advantage will play to the US industry's advantage. It is a point European manufacturers are beginning to appreciate fully: if they do not hang together, they will, assuredly, hang separately.

A symbol of better times for arms manufacturers: the Pentagon recently placed an $18bn order for a further 80 McDonnell Douglas C-17 Globemaster III transport aircraft

Challenger tank production line: the UK continues to modernise its equipment, with an order worth £1.1bn on Vickers Challenger II tanks

■ **The US:** by Bernard Gray

Formidable competitors

The US has the capacity to dominate the world market in advanced military hardware. Some industry executives believe it intends to try to do just that

When the merger between Lockheed and Martin Marietta was consummated in March, everyone thought that it was the ultimate defence deal. The merger created a giant which made everything from space launchers to stealth fighters, with $25bn in sales, and which was seen as the benchmark which other defence companies around the world had to measure themselves against.

It was part of what Mr Norman Augustine, the chief executive of Martin Marietta before the merger, describes as the next wave of defence rationalisation. First came the cost-cutting in the immediate wake of the end of the cold war, then the elimination of companies with a marginal presence in the defence market. This was followed by the consolidation of companies with similar businesses, and finally the creation all-singing defence giants.

Others were sceptical that there was much to be gained by putting dissimilar businesses together for scale alone. Cutting the number of military aircraft makers might make sense, but why pool the maker of Atlas space launchers with the manufacturer of Hercules transport aircraft?

Mr Harry Stonecipher, chief executive of McDonnell Douglas, summed the view up by saying: "I don't see where the synergy is."

Mr Dan Tellep, chairman of the merged Lockheed Martin, and Mr Augustine, who is president of the company, insist that savings will come as a result of lower central overheads and rationalised sites.

In June, Lockheed Martin announced 12,000 job cuts from its workforce of 170,000 and the closure of 12 factories and 26 field offices. The cuts will cost $1.7bn but the company hopes they will save $1.8bn as year and help throw off cash for expansion, acquisition or higher dividends.

The unspoken positive point about the merger is that the company's chief customer is the Department of Defence – and assembling a marketing team which knows how to handle the Pentagon can be very helpful. Mr Stonecipher wryly observed recently that in the political arena, "together [Mr Tellep and Mr Augustine] will be very strong."

The Pentagon, for its part, is supporting the rationalisation of the defence industrial base. Mr Josh Gotbaum is an assistant secretary for defence specifically charged with handling the slimming of the industry. He says that the US needs a competitive industry and that the Pentagon as the buyer can help the process along.

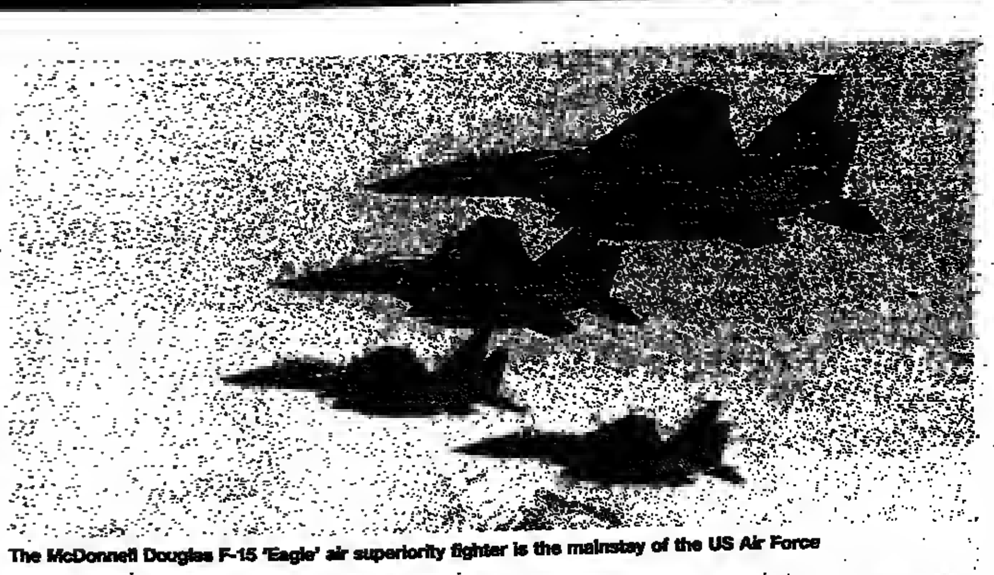
In the case of Lockheed Martin, for example, the main overlap between the two companies was in space launchers. Mr Gotbaum says that the Pentagon has agreed to split the savings which will arise from rationalising the two operations with the company. The Department of Defence expects the merger will save it $2bn over 10 years on the cost of launchers alone.

Mr Stonecipher now seems to be keener on putting complementary businesses together. Reports suggest that Boeing, the giant of civil aircraft manufacture which has a modest defence business, is in merger talks with McDonnell Douglas, the second-largest US defence contractor, with a wilting commercial aircraft division.

If the two companies can agree terms, and US competition authorities do not block the deal, a monster will be created with civil aircraft sales of $21bn and defence turnover of $12bn. While that will leave it smaller than the merged Lockheed Martin in the defence market, it will have an impressive array of products and will be a huge force in the world aerospace business.

The pressure for the deal has both a civil and military logic. In civil aircraft, Boeing would effectively eliminate the weak third competitor in the market, which has been driving prices down, at the cost of taking on the liabilities of Douglas Aircraft's leases and existing aircraft fleet.

On the military wing, a merged Boeing-McDonnell would have an even more impressive array of products than Lockheed Martin, despite its lower turnover. Boeing has long wanted to develop its defence business and there is a good fit between the two companies operations.



The McDonnell Douglas F-15 'Eagle' air superiority fighter is the mainstay of the US Air Force

Boeing has two critical programmes which give it a stake in the future of US defence. It has a third share in the $71bn F-22 stealth fighter programme, and half of the $42bn V-22 "Osprey" which can fly like a helicopter or a conventional aircraft and will be the main future troop transport for the US Marines. As two of the largest procurement projects for the next decade, they will give the merged company a solid base for future development. Boeing also hopes that the V-22 can be developed into a civilian city-centre-to-city-centre transporter.

McDonnell Douglas, by contrast, has an impressive range of current products with export potential. It makes the F-15 "Eagle" air superiority fighter, the mainstay of the US Air Force and currently on order for Saudi Arabia; the F/A-18 "Hornet" fighter and strike aircraft which is planned to be the core of the US Navy's carrier-based force until 2020; the AV-8B, vertical-take-off-and-landing attack fighter based on the British Aerospace Harrier and in use with the US Marines; the C-17 "Globemaster III" long-range transporter for the USAF, and the T-45 "Goshawk" advanced jet trainer for the US Navy.

Again, provided the civil competition authorities are happy, the Pentagon is also likely to take a positive view of a tie-up between Boeing and McDonnell. Any savings which flow from rationalising the two operations are likely to be shared, as was the case with Lockheed. And the combined marketing muscle of the two companies is likely to help in the export market, cutting the costs of maintaining the US industrial base.

Mr Augustine and Mr Tellep are both convinced that the wave of mergers will continue, leaving the US with perhaps two aircraft makers, two missile manufacturers, and two electronics companies with a much smaller number of component suppliers supporting them. Employment in the industry, which has fallen by 40 per cent to 800,000 in five years, is likely to continue to fall. Those companies which are left will be strongly cash-generative.

Norman Augustine (above) and Dan Tellep: both are convinced that the mergers will continue

Yet while the merger mania is producing a leaner industry, some problems with the US industry remain. Engineering has been a strong base for unions in the past and several companies have had difficulty introducing new working practices and cutting staff. US management is also used to long production runs and has not yet adapted fully to the flexibility that smaller runs require.

Companies also have regional political interests to placate. Lockheed Martin's development work on the F-22, for example, is currently split between Fort Worth in Texas and Marietta in Georgia. It would make sense for production to be on a single site, probably at Forth Worth, where the F-16 light fighter is made. Yet there are risks in alienating Senator Sam Nunn of Georgia, who chairs the Senate armed services committee, or the congressmen of the important electoral state of Texas.

Similarly, Boeing and McDonnell would face difficulties in deciding whether or not to consolidate their fighter, helicopter or space businesses at a single site.

Foreign competitors who are tempted to take heart from the problems which hobble full efficiency in the US should beware, however. The cost reductions they have achieved and the need for export markets to replace domestic production makes them formidable competitors. The US has the capacity to dominate the world market in advanced military hardware. Some executives in the US industry say it intends to try to do just that.

CASE STUDY Lockheed-Martin

A surprise for Wall St

When the proposed merger of Lockheed and Martin Marietta was announced in August 1994, it came as a complete shock to Wall Street. Mr Dan Tellep, chairman of Lockheed, had managed to complete months of negotiations with Mr Norman Augustine, his counterpart at Martin Marietta, without a word leaking to the outside world.

The deal surprised the marketplace in another sense, because it was neither a "horizontal" matching of *aircraft maker* with *aircraft* maker or electronics company with electronics company, nor was it a "vertical" tie-up of component supplier and aircraft maker. The two companies had relatively little overlap except in the space business.

Company executives said that the deal would work because it would allow deep cuts in central services, elimination of the overlap in space systems, and bring together two companies which had the government, and in particular the Department of Defence, as its main customer. It would also be strongly cash-generative, allowing it to swallow up other companies if the opportunity arose or use its resources for internal growth.

In the six-month hiatus caused by regulatory review, employees had time to adjust to the idea of a merged company, but there was a limited amount that executives could do to push on with rationalisation. Competition rules prevented the two companies comparing notes on price-sensitive information.

Nevertheless, senior managers could do some outline planning, and once *the deal was approved in* March, teams in all parts of the business swung into action to make the consolidation work in practice. In June, that resulted in a plan to cut 12,000 jobs from a workforce of 170,000 at a cost of $1.7bn, and the closure of 12 factories and 26 offices.

The package will save the merged company $1.8bn a year in operating expenses when it was complete. Mr Tellep and Mr Augustine both say that the deal was a textbook example of how to proceed and that there is very little they would do differently.

But there have been teething problems. The cultures of the two companies are very different, with Lockheed having a strongly southern, almost gentlemanly US feel and Martin a sharper, north-eastern approach. That cultural mis-match crystallised around the issue of incentive payments to managers of the two companies on the merger.

Martin Marietta executives received more than 10 times the payments of their Lockheed counterparts, which totalled more than $88m for the two companies. The *disparity occurred* because under the terms of Martin's plans the merger counted as a change of control of the company and so triggered payment of stock options and other incentives. Under Lockheed's looser rules, the deal did not count as a change of control and the payments were not made. The difference hardly eased the difficult task of merging two management teams.

Nor was the selection of the sites for closure entirely smooth. Mr Tellep said that *rationalising space activities* from four sites to two was essential if the merger was to work. Many, both inside the company and on Wall Street, thought that the expensive Lockheed site at Sunnyvale in California was the natural choice for closure.

Lockheed, however, argued strongly for Sunnyvale. Eventually Sunnyvale and Denver became the two survivors with increased workloads, particularly for Sunnyvale, while plants in New Jersey and Pennsylvania closed.

There was also surprise both internally and externally that job cuts were not more extensive. Some analysts had thought that more than *35,000 jobs could go*, and Lockheed Martin executives say privately that deeper cuts now would have prevented further cutbacks and lower morale later. Critics say that the working parties looking at their own businesses were too concerned to protect their own sectors and not to create a bad reaction among staff.

Even if the path has not been completely smooth, Lockheed Martin is now the giant which everyone else in the defence and aerospace industry has to look up to. Unless the merger between Boeing and McDonnell Douglas goes ahead. Now that would create a real gorilla.

Bernard Gray

صورة عن الأصل

■ **Western Europe:** by Bernard Gray

Time for vigorous action

Companies and governments need to act if the European industry is to survive as anything other than a sub-contractor to the US

In the face of rapid consolidation of the US defence industry, its European counterpart has split into two camps: those who think there is no problem, and those who think there is a problem but do not know what to do about it.

That view may be a slightly unfair characterisation of the European position, but only slightly. The optimists argue that Europe has become used to manufacturing small batches of equipment and therefore are much more efficient than their US counterparts who are used to producing fighter aircraft by the thousand.

The Americans, they say, come to Europe to see how defence manufacturing should be done. They add that defence buyers in export markets such as the Middle East and Pacific Rim will always want a diversity of suppliers to make sure they have several allies to support them in times of crisis.

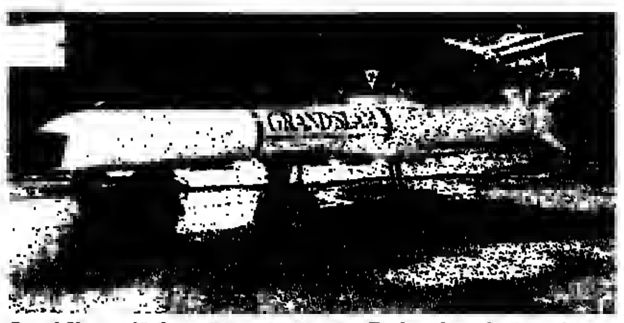
The pessimists think that Europe does need to respond, but that it is almost impossible to fight the way through the thicket of competing national sovereignties, incompatible industrial structures and differing defence requirements.

They fear that the European industry will become marginal, steadily falling behind the US in technology because its research and development is not focused, while the equipment which is produced will get progressively more expensive as it is made in smaller and smaller production runs.

Both sides have an argument, but the optimistic case will only hold up to a point. If Europe cannot cut the costs of its industry, cease duplicating facilities and research effort, and build a sufficiently large single market for its defence products, it will slowly lose ground to the US in export markets. Some defence executives such as Mr Louis Gallois, chairman of Aérospatiale, and Mr Dick Evans, chief executive of British Aerospace, have argued that Europe should consolidate. The problem is, how?

Perhaps the easiest way forward would be for countries to form "national champions" which embraced all aspects of their defence industries. Germany has already followed that route partly with the formation of Daimler-Benz Aerospace which includes much of the defence electronics industry as well as its aerospace manufacturing. Similarly, in France, Thomson-CSF could be merged with Aerospatiale, and in the UK, British Aerospace could team with the General Electric Company.

While this would lead to some savings, as the Lockheed-Martin merger has done in the US, it would still leave the European market fragmented into national units which the "champions" would then be tempted to dominate at the expense of international collaboration.



Grand Slam: a McDonnell Douglas-Hunting Engineering missile project

It would also not bring the much more substantial benefits of putting aircraft makers together with other aircraft makers and electronics companies with electronics companies to rationalise whole industrial sectors.

Such deals, bringing together, say GEC with Thomson-CSF or BAe with Aerospatiale and Dasa, would generate much bigger savings, but would be infinitely more difficult to accomplish. Most of the French industry is loss-making and in state hands. Both France and Germany have yet to make the deep job cuts which would restore profitability and put them on a par with UK companies who have already retrenched heavily.

Even if all the companies were profitable quoted concerns which could be taken over as they can be in the US, it is far from clear that national governments would accept the loss of control which would result from multinational ownership of defence industry bases. France in particular has long prided itself on its military independence.

Yet political backing would be needed not only to bless any union, but also align arms procurement programmes and military requirements so that any merged companies could rationalise effectively.

Several examples of the efforts which have so far been made illustrate the problems. BAe and Matra's negotiations about pooling their missile businesses have dragged on for almost three years. While the two companies reached agreement on the financial terms of a deal last spring, the French government has so far refused to agree to the merger. It has argued that the UK's competitive procurement policies allow US companies to enter the UK market when it would not be possible for a European company to have reciprocal access to the US.

Since the UK is running competitions for a new air-to-air missile, an anti-tank missile and a cruise missile – worth £2.5bn in total – which are vital to the future of BAe's guided weapons business, France wants the cruise missile order placed with the new joint company as a gesture of good faith. Britain has refused, and the merger is stalled.

On the new Horizon air-defence frigate, which is being developed jointly between Britain, France and Italy at a cost of more than £6bn for 22 ships, there is disagreement about how its weapons should operate.

There are many other examples. France wants to merge Aerospatiale's space business with that of Dasa (Daimler-Benz Aerospace), partly to share the cost of developing its Helios spy satellites. But Germany has so far refused to come up with the development cash.

Britain killed the possibility of a common attack helicopter produced by France, Germany and the UK this summer when it decided to buy US Apache helicopters instead. Sweden also angered France a year ago when it selected the US Amraam long range air-to-air missile for its Gripen fighter, rather than the Matra Mica.

The Franco-German Eurocopter group is developing a naval and transport helicopter, the NH90, in direct competition with the Anglo-Italian EH 101.

One political initiativa to tidy up this patchwork quilt of effort is the proposed Franco-German armaments agency, which is expected to be set up in 1996. This would co-ordinate arms purchases for the two countries and could help facilitate the rationalisation of the defence industry, particularly if Britain were to join and bring together the three largest arms purchasers in Europe.

In the spring, Mr Roger Freeman, then the UK defence procurement minister, said that Britain was interested in joining and would consider placing the Horizon frigata programme, the Eurofighter, and a new generation of light battlefield vehicles into the new agency. Now, British involvement has stalled because of continental European anger at the decision to buy US helicopters. The agency could prove a useful forum for change if such arguments can be resolved. But companies and governments will have to act vigorously too if the European industry is to survive as anything other than a sub-contractor to the US.

CASE STUDY France

Heavy spending cuts loom

Like a man to the path of an oncoming tank, the French defence industry is understandably beginning to panic.

Already suffering from falling export orders, it knows it is going to be hit by further domestic military spending cuts and that these budget cuts – which have been longer coming in France than in any other leading western country – are going to be heavy. But, trapped by the French government's continued indecision on future policy and programmes, French arms makers do not know which way to jump.

Last year, the industry recorded a net loss of FFr5.5bn, or 7 per cent of its turnover. It still employs some 90,000 people directly, and about 190,000 indirectly, but jobs are already disappearing at the rate of more than 15,000 in each of the past two years, and more cuts are on the way.

Aérospatiale has announced plans to shed 10 per cent of its workforce to the form of 3,100 voluntary redundancies (split equally between its aviation and missile divisions) over the next two years.

Snecma, the aero-engine maker, says it no longer needs a quarter of its 12,000 workforce, and plans to get rid of an initial 800 jobs next year.

The Direction des Constructions Navales (DCN), whose 25,000 workforce makes and repairs ships and their weapons systems for the Defence Ministry, is estimated in a recent parliamentary report to have 5,000 more people than it can justify with a FFr20bn annual turnover.

Most calamitous of all is the situation of Giat, the maker of the Leclerc tank. If it were not state-owned, it would be bankrupt with "negative" own funds of FFr2.4bn at end-1994 and perhaps as much as FFr4bn now. It made an operating loss of FFr1.3bn last year on turnover of FFr7.7bn and is expected to show a FFr1bn operating loss this year.

Giat's plight is all the more amazing, because in 1993 it had the good fortune to compensate reduced orders from the French army (no longer on call for a tank battle against the Warsaw Pact) with a huge order of 436 tanks from the United Arab Emirates, priced in dollars and worth a notional FFr20.5bn. But Giat covered itself so badly against the foreign exchange risk on the dollar – estimating an unrealistically high rate of FFr5.70 to the dollar – that it has already lost FFr800m on this score alone.

In all, state-owned or controlled defence companies are asking their owner for nearly FFr30bn in recapitalisation, of which Aérospatiale is seeking FFr10bn and Snecma FFr6bn, while Thomson-CSF, the defence electronics company, wants FFr10bn if it is to be privatised along with Thomson Multimedia which carries heavy debts from past consumer electronics losses.

Aérospatiale FLA military transport concept

However, for the moment, Mr Charles Millon, the defence minister, only seems to be inclined to act in the case of Giat to prevent the tank-maker from completely disappearing.

The reason is that the government has set in train a complete defence review of all policies and programmes – nuclear and conventional – which will only be complete at the start of next year, and which will in each case have to go up to President Chirac for decision. In the meantime, Mr Millon says he is not prepared to let hardware decisions pre-empt the strategy review, although he has indicated the government may provide money this autumn to soften the blow of defence redundancies.

Pending important decisions next year, the government has simply proposed further pruning of this year's FFr95bn defence equipment budget to FFr89bn in 1996, mainly by stretching out existing programmes for the Charles de Gaulle nuclear-powered aircraft carrier and Dassault's Rafale jet fighter and by delaying the start of series production of the Tigre helicopter, built by the Eurocopter joint venture by Aérospatiale and Daimler-Benz Aerospace (Dasa).

However, there is growing pressure – from leading backbench MPs, some top military officers and even a number of defence industrialists – for the government to improve the focus of its defence effort after the Cold War and to decide what equipment it can, and even more important what it cannot, afford. Otherwise, the fear is that the military will end up with a hodge-podge of half-fulfilled ambitions, while many arms manufacturers will drown in the rising tide of red ink.

Mr René Galy-Dejean, the National Assembly's defence committee rapporteur, believes the navy should be told that it cannot have a fourth nuclear missile submarine and a second nuclear-powered aircraft carrier; the army that it cannot have the troop transport version of the NH-90 helicopter; and the air force that it cannot have the air (as distinct from navy carrier) version of the Rafale if it wants the new Future Large Aircraft (FLA).

Significantly, General Jean Rannou, chief of the air force, has also publicly complained that the financial weight of the Rafale programme (at FFr200bn, the country's most expensive) risks crushing the rest of his service's programmes, and France might do better to stick to the latest Mirage version – the Mirage 2000-5 – which has also proven its export worth.

As to the defence industry, everyone realises it is in for long overdue restructuring, but no one knows quite what shape it will take. In such a vacuum, rumours flourish – old ones such as a rapprochement between the country's two aircraft makers, Aérospatiale and Dassault, and new ones, many of which centre on Matra, because as part of the private sector Lagardère group it has the freedom of initiative denied its state-owned counterparts.

While French government indecision is hindering restructuring inside France, the slowness of other governments to take key programme decisions is also hampering French companies' international ambitions.

Matra is awaiting the outcome of the UK government's decision on a new conventionally armed stand-off missile (Casom) to decide whether it is worth marrying its missile division to that of British Aerospace.

Likewise, Aérospatiale's attempt to get closer to Dasa in satellites as well as missiles has been held up by slow decision-making in Bonn.

David Buchan

South Africa: by Roger Matthews

Hurricane of change

The armaments sector can claim to be internationally competitive in some key areas and well positioned to assist South Africa's overall export effort

The hurricane of political change blowing through South Africa has affected few commercial organisations more emphatically than Armscor, the company responsible for national arms acquisition and the co-ordination of its international military sales efforts.

Although state-owned, Armscor operates along private sector lines, and during the 1980s achieved a reputation for being among South Africa's most secretive organisations. The combination of an international arms embargo, and the war which South Africa's defence forces were fighting primarily in Angola, led the government to sanction a range of covert activities while encouraging the domestic industry to develop weapons that could not be acquired on the open market.

The new government, led by the African National Congress, which took office in May last year, is still having to sort out some of the problems left from that era. But it is also the beneficiary of an armaments industry which in some key areas can claim to be internationally competitive and well positioned to assist South Africa's overall export effort.

This has all contributed to an intense debate within the ANC and the government over the future role of the military, the morality of selling arms overseas, and the impact this will have on the industrial capability which had developed so strongly over the previous 20 years.

Mr Joe Modise, the minister of defence, reminded parliament recently that the impact of cutting the defence budget from about R20bn ($5.5bn) seven years ago to R10bn today meant that South Africa could not even maintain the minimum level of forces required to satisfy defence requirements. With some 73 per cent of that reduced budget being consumed by operating costs, a mere 27 per cent was available for capital expenditure.

This has inevitably had a huge impact on Armscor and the approximately 700 companies involved in the industry which, at its peak in the in the late 1980s, provided work for more than 160,00 people, a figure that has progressively slumped to its present level of about 50,000. But as the domestic door has partially closed, so international opportunities have widened following the decision by the United Nations to lift its arms embargo in May last year.

Armscor, mindful of its past, now seeks to reflect the wider political image transmitted by the ANC. It wishes to be seen as a responsible, accountable and transparent international player, an essential ingredient in seeking to raise annual exports from the current R850m to R2.4bn, or some 2 per cent of the global market. To assist the process, Armscor is extending its international reach with offices in Paris, Switzerland, Moscow, Tel Aviv, Kuala Lumpur, Beijing and New York.

Mr Andre Buys, the senior executive responsible for planning, said Armscor was particularly focusing its efforts on areas "where not even pacifists could raise any objections".

South Africa's experience in Angola, where the terrain was ideal for planting land mines, had forced it into developing expertise in mine clearance operations which, Mr Buys claimed, led the world. "There is a huge market for the package we have developed in protection against mines, detection, and clearing," he said.

Similarly, Armscor is attempting to promote internationally the technological advances it has made in radar and military communications. However, the potentially most valuable of South Africa's exports remain its artillery packages, based on the 155m G-5 and G-5, and the Rooivalk attack helicopter. Despite disappointment that Britain did not select the Rooivalk, Armscor was pleased that it had progressed so far in the selection process and has strong hopes of international sales.

The 155mm G-5 artillery gun: potentially the most valuable of South Africa's weapons exports

At the same time, defence cutbacks in South Africa have provided a steady flow of surplus weapons for disposal, and Armscor enjoys the advantage of being able to draw on existing military inventories to meet urgent requests from overseas.

"If a customer is in a hurry we ask the army, for example, if they are willing to release certain equipment," said Mr Buys. "There are advantages all round. The customer is served quickly. There is no need to carry large stocks. And the military gets new equipment."

The severity of successive cuts in the defence budget have also led to changes in Armscor's approach to the acquisition of arms. Foreign manufacturers negotiating to sell weapons to South Africa are at the moment required to negotiate a counter-trade agreement, equal to 60 per cent of the total contract. This will rise over the next three years to 100 per cent.

An organisation called Macro Counter-Trade International has been set up to assist foreign buyers to identify purchasing opportunities in South Africa. Such purchases can also be used to build up credits against future sales to South Africa.

A decision on the biggest planned purchase this year of four corvettes for the navy, worth as much as R1.8bn, was postponed in May amid speculation that it might be abandoned completely. Although strongly supported by Mr Modise and Mr Ronnie Kasrils, the deputy defence minister, the parliamentary defence committee expressed strong doubts that the ships were needed, with some MPs arguing that the money would be better spent meeting the basic needs of the most deprived members of the community.

The Barzan Shipyard of Spain was the front runner, closely followed by Yarrow Shipbuilders of the UK, with both companies having submitted counter-trade proposals involving respectively a long-term contract to purchase coal and work on constructing local power stations.

The possible purchase had first been raised 10 years ago, and Armscor executives feel the requirement is even greater today in South Africa's changed circumstances, a view shared by Mr Modise.

But with the government making only the most modest progress in reducing the budget deficit, the squeeze on defence expenditure is likely to remain intense. The defence lobby in South Africa is going to have an uphill struggle for the foreseeable future.

Russia: by John Thornhill

Hundreds of arms factories left idle

Client states in eastern Europe and the third world – captive markets for Russian arms – have turned their backs on their former supplier

General Pavel Grachev, Russia's defence minister, was looking grim. As he reviewed the state of his country's armed forces and defence industry in a rare press conference this month, his mood grew grimmer still.

"Budget allocations for the procurement of military hardware over the past four years dropped by 88.9 per cent; for research and development by 75 per cent," the Afghan war veteran growled.

"All this has created a critical situation at most enterprises in the defence sector. More than 2m people have been eased out of military production."

The minister was no more optimistic about the future. "The Ministry of Defence's budgetary claim for 1996 is the minimum necessary sum of Rbs134,000bn ($29bn). However, the draft budget allocates a mere Rbs77,100bn which is about half of what was requested."

That the defence claim should come so low on the list of budgetary priorities is a shock for Russia's military. In Soviet times, Russia's generals were used to receiving a seemingly endless supply of money to finance their military ambitions.

Economists estimate the defence sector accounted for as much as 25 per cent of Russia's gross domestic product in the late 1980s.

But the end of the cold war and Russia's fitful transition to a market economy has produced convulsions in the country's industrial base and left hundreds of the 1,700 defence plants idle. Almost every day, it seems the Russian press carries reports of another plant shut-down.

Last year, the Tula arms factory, one of the most famous in Russia, temporarily stopped production for the first time in three centuries as a result of a cash shortage. Last month, the Polet industrial association in Ivanovo, which is the only parachute manufacturer in Russia, shut down because of a similar lack of funds. Even such well-known names as Kalashnikov, which has been the preferred rifle of insurrectionists around the world, have experienced problems.

Client states in eastern Europe and the third world, which proved captive markets for Russian arms, have also turned their backs on their former supplier.

Some of the central European countries have begun buying western arms to ease their path into Nato.

The Russians have been forced to adopt some more imaginative approaches to selling arms. For example, Russia has reached a debt rescheduling agreement with South Korea under which it will provide some $450m of raw materials and defence equipment, including helicopters, as part-payment for its Soviet-era borrowings. But such opportunistic arrangements are no substitute for long-term planned expansion.

Russia's aerospace sector, which produced some of the most advanced military aircraft in the world, such as the MiG-29 and the Blackjack and Backfire bombers, undoubtedly has the potential to succeed in international markets. It could re-emerge as a leading supplier of high-specification, low-cost warplanes to developing countries but has first to reorient itself to the demands of future customers.

A recent study of the Russian aerospace sector concluded: "Making exceptional planes is no longer enough. The end of the cold war, the shift in defence priorities away from complex weapons systems, and declining demand for commercial aircraft have thrown the global aerospace industry into turmoil. Nowhere is this turmoil so acute as in Russia."

The study of the whole aerospace market, conducted by McKinsey, the international management consultants, concluded there needed to be radical change to the structure of the industry.

The rival aircraft design bureaux needed to be re-integrated into focused, market-driven enterprises which could learn from western manufacturing and sales techniques. "There is a long way to go, but the potential for success does exist," the report concluded.

There have been some eye-catching examples of radical change in other sectors of Russia's defence industry. For example, the Zvezdochka warship building yard in Russia's Arctic has teamed up with a local enterprise that built nuclear submarines to construct two $114m floating drilling rigs for Gazprom, the giant gas producer. The yard has also won an order to build 22 trawlers for the Archangel fleet.

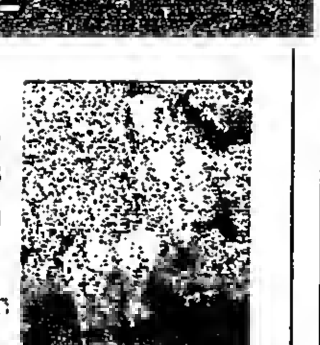
Converting defence plants to civilian use has been one of the high priorities of western donor agencies. The European Union's Tacis programme, which provides technical help to Russia, has focused much effort on the process.

There are two chief reasons to believe that Russia's defence plants may have a chance of adapting to market conditions. The first is that Russia's military industrial complex already has experience of producing consumer goods. Under the communist regime, the military-industrial complex produced 100 per cent of Russia's television sets, 100 per cent of its sewing machines, and 60 per cent of its motorcycles.

This opening into more accessible consumer markets could provide the lifeline for some defence companies keeping them afloat until the demand for their mainline military products stabilises and their operations have been restructured.

The other reason for some optimism is the sheer depth of intellectual capacity available.

The military-industrial sector dominated Russia's scientific professions and maintained 920 research and development organisations. In the late 1980s it was estimated that Russia boasted 9,398 scientists and engineers per million people, compared with 5,029 in Japan and 3,317 in the US. At some point that highly-skilled pool of human capital could be redeployed to more effective use.



Asia: by Kieran Cooke

Power vacuum danger

It is estimated that Asia's defence spending rose about 25 per cent in the 1986-1993 period, while that of the Nato countries decreased slightly

When defence analysts of Asia get together, two topics usually dominate discussions. One is whether or not the growth of China's military forces represents a threat to other countries in Asia. The other is whether the region, partly in response to a perceived threat from China, is involved in an arms race.

Rarely do the often heated exchanges result in any clear answers. However, on one point there is agreement: a great deal is happening in the defence field in Asia. Nations are spending more on their military forces than ever before and acquiring substantial amounts of new equipment.

Virtually every country is nurturing the development of its own defence industry.

It is estimated that Asia's defence spending rose about 25 per cent in the 1986-1993 period, while that of the Nato countries decreased slightly.

"Defence spending in East Asia is growing at a far faster rate than in other parts of the world," says a regional military strategist. "Countries in East Asia say they are involved merely in long-overdue military modernisation programmes, made possible by the region's fast track economic growth of recent years. But no one is admitting they have any wish, or see any possibility, of using the defence equipment they are acquiring or, more recently, building for themselves."

Malaysia serves as an example of the general trend in defence in Asia. For many years the development of Malaysia's armed forces was largely ignored as the country battled with improving basic living standards and weaning the economy off its traditional dependence on commodities such as rubber and tin.

In each of the past seven years, Malaysia's economy has grown by about 8 per cent. Economic success has brought more confidence and a wish to be recognised as a country of power and influence. Under its recently completed 1991-95 defence plan, Malaysia spent about $3bn on weaponry, an increase of more than 200 per cent over the previous five years.

The purchases include 28 British-made Hawk fighters, eight US-made F-18s, and 18 MiG-29s, the first such order of the Russian-made attack aircraft in East Asia.

Other equipment under consideration includes 27 offshore patrol vessels and a submarine. Malaysia is now spending about 4.5 per cent of its gross domestic product on defence. Last year that figure was approximately M$6bn. As GDP growth charges ahead, so defence spending is also likely to expand rapidly.

Malaysia is not just buying equipment: it is also seek to rapidly expand its fledgling defence industry. Mr Najib Tun Razak, defence minister, until a cabinet reshuffle earlier this year, talked of the need to build up a defence industry which would contribute to the country's overall development.

"The expanding defence industry will prove that it can also contribute to the national economy, generating job opportunities and saving on foreign exchange," said Mr Najib.

Mr Syed Hamid Albar, the present defence minister, stresses the role which defence industries can play in transferring technology. On a recent visit to South Africa, with which Malaysia has quickly developed close defence ties, Mr Syed Hamid said there was considerable scope for the two countries to collaborate on joint production of various defence equipment.

> Traditional antagonisms show some signs of easing

"The relationship is now not just a buyer-seller relationship... now it is more about joint ventures and technology transfer," said the minister.

An Asia-based British defence analyst says it is clear that many countries in the Asia region are diversifying their sources of supply away from the big powers to countries such as South Africa, Chile and Argentina. Countries such as Malaysia are also demanding more in return for awarding defence contracts.

"If Britain is selling Hawks to Malaysia, then Malaysia wants to make sure it sells its Proton cars to Britain," says the analyst. "Malaysia is also insisting that more and more production of defence equipment takes place to the country – that is the trend throughout the region."

An order for more than 40 infantry fighting vehicles from Daewoo of South Korea is based on much of the production being done in Malaysia. A contract for offshore patrol vessels – likely to be worth in the region of M$4bn – will be carried out as part of a massive privatisation of the country's biggest naval dockyard: again, the foreign company that wins the contract will have to ensure that the bulk of the manufacturing of the vessels ordered is done within Malaysia.

Countries in the region are still deeply suspicious of each other. Some, such as Pakistan and India or South and North Korea, still see each other as the main military threat. But elsewhere, despite the increased regional defence spending, traditional antagonisms show some signs of easing.

Singapore has south-east Asia's most well-equipped military. Its Chartered Industries group, established in 1967, is a military equipment producer of some considerable size and is one of the world's top 10 small arms producers and suppliers.

While Singapore has traditionally seen itself as a small fish in a hostile sea, and constantly emphasises the need for vigilance and battle preparedness, there is now increasing defence co-operation with Indonesia and Malaysia.

Under a newly-created regional defence forum, countries in the Asia Pacific region are discussing defence issues and considering the possibility of a regional arms register.

At some point, the Malaysians and the Indonesians might consider co-operating in defence manufacturing: Indonesia has built up a considerable defence manufacturing industry.

Last year, Indonesia and Malaysia entered into a complex barter arrangement, with Malaysia exporting its Proton cars to Indonesia in return for Indonesian-built Industri Pesawat Terban Nusantara (IPTN) 235 military transport aircraft.

As part of the deal, Malaysia's Airod air and defence industries group would also carry out servicing on Indonesian air force Hercules transport aircraft.

However, few expect old regional suspicions to completely disappear. Analysts feel that although there may not be an arms race going on in the region, nations still feel the need to match each other's defence equipment. Thailand is contemplating buying three submarines. Singapore is purchasing one for training purposes. Now Malaysia may also purchase a submarine.

Countries in the region are investing in satellites, partly for military purposes. "A lot of military hardware purchases are made more for prestige than to fulfil any particular need," says a Malaysian academic. "The trouble is, many countries buy the equipment but just do not have the people to use or service it. For example, Malaysia now has its Hawks and MiGs but has a chronic lack of experienced pilots and engineers."

Whether or not such equipment will have to be used is generally seen to be dependent on China's territorial ambitions. From Japan in the north to Indonesia in the south, there is regional concern at China's increasing military power. While some countries, such as Malaysia, tend to disregard the notion of China's navy one day laying claim to the entire South China Sea – an area referred to in Chinese documents as *"shengcun kongjian"* or survival space – others are more troubled about the future.

The US is felt to be exercising less military influence in the region. There is a power vacuum. If it feels mistreated by other powers, whether over trade or other matters, China might be goaded into action and into showing its new-found military strength.